RAJIV BHUSHAN TIWARI, IRS
FASTEST CUSTOMS CLEARANCE

VIEW POINT: COASTAL SHIPPING
Will it remain an elusive dream?

STEVEDORING POLICY
In reconciliation

CONTAINERISED STEEL CARGO
A growth story cut short

India's premier maritime business magazine

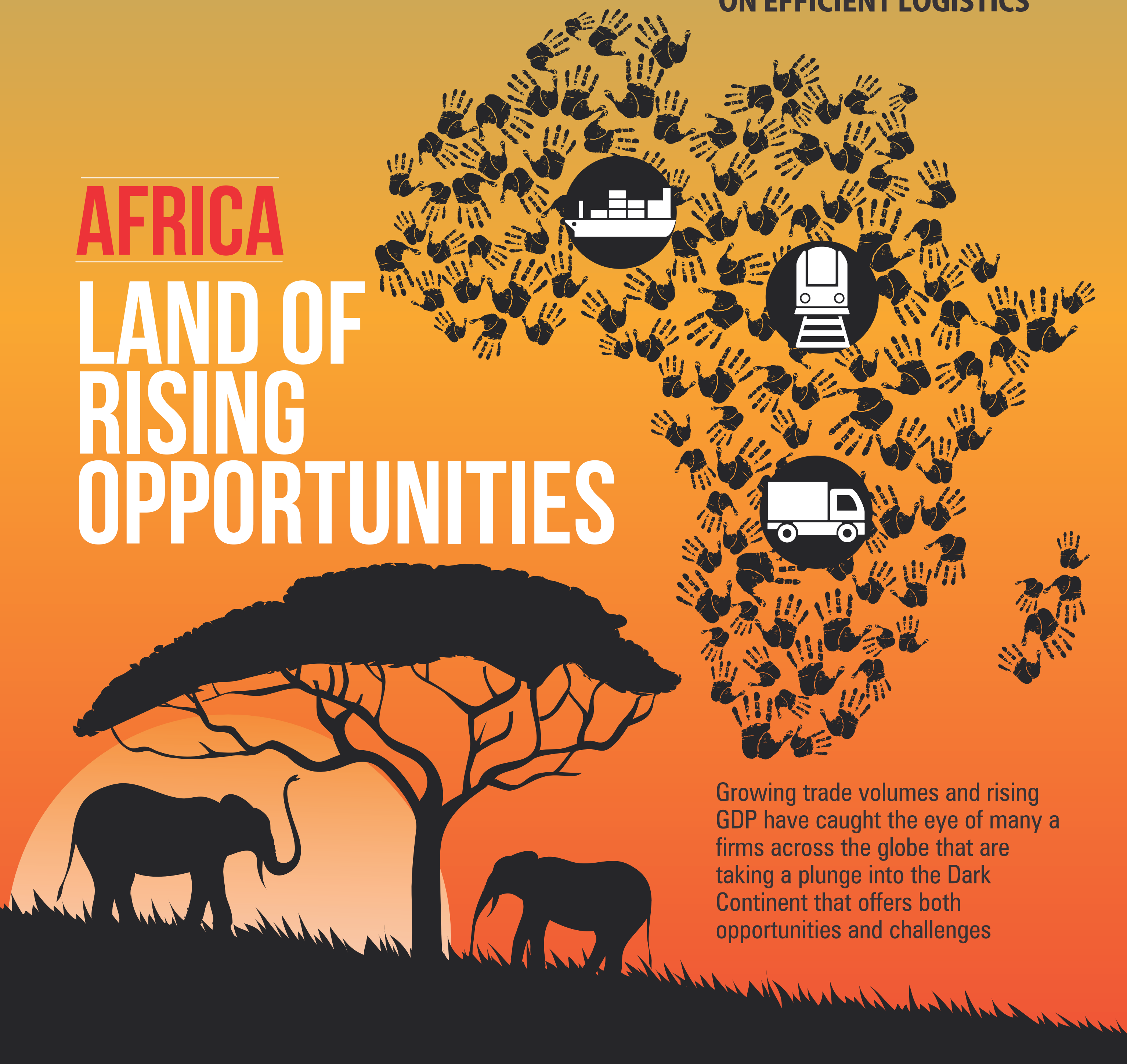
maritime gateway

NOVEMBER 2016 WWW.MARITIMEGATEWAY.COM

₹ 100

RNI NO: TELENG/2009/30633 POSTAL REGISTRATION NO: LII/RNP/HD/1137/2016-18
DATE OF PUBLICATION: 26/10/2016 DATE OF POSTING: 28/10/2016

KARNATAKA LOGISTICS SUMMIT 2016
ECONOMIC GROWTH RIDES ON EFFICIENT LOGISTICS



AFRICA
LAND OF RISING OPPORTUNITIES

Growing trade volumes and rising GDP have caught the eye of many a firms across the globe that are taking a plunge into the Dark Continent that offers both opportunities and challenges

Bottomed Out!

At the end of 2015 they said the following year will be better and freight rates will begin to climb up. But if you hark the market watcher's foretelling, the coming year portends the hope of better earnings and a slight ascension of freight rates.

Many who expected better margins in the first two quarters of the year cried wolf over the analysts' predictions when they didn't see any break through. However, Drewry's Container Forecaster and Review 2016-17 says better results came by in the third quarter after worse-than-expected results in H1 2016. They forecast industry profitability to improve next year giving improved rates and higher volumes the brownie points. A modest operating profit of $2.5 billion in 2017 is the number they peg for the marginal gain.

This news is, however, conveyed with a tinge of caution. They say shipping firms will still have to operate on a shoestring budget because the increase in freight rates might not be on par with the pre-2015 rates. An uptick in the fuel costs will offer good reason for liners to increase rates but they will have to watch their operational costs closely. Though they brush off Hanjin's citing Chapter Eleven as a watershed case owing to complacency and mismanagement, they warn of erratic commercial behavior from carriers to save a penny here and a dime there.

Another important metric they've red flagged is debt figures on a carrier's balance sheet, as prolonged overlooking of this figure landed Hanjin in trouble.

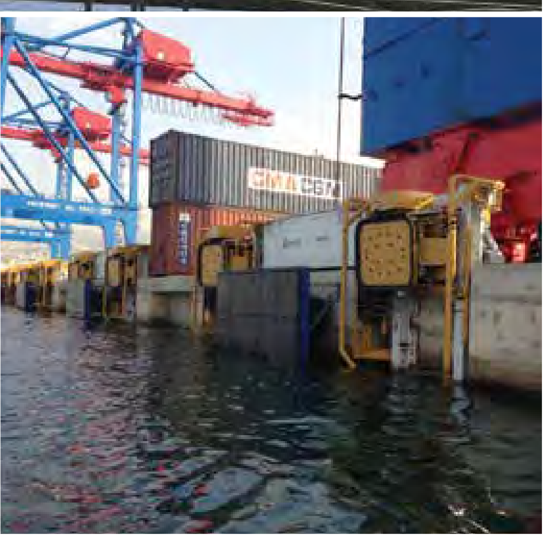
The route to the Promised Land of happy clappy days is a careful, calibrated approach to taking risks and deploying assets wisely. The acid test for 2017 will be how the lines approach Beneficial Cargo Owner contract negotiations. With saving of hundreds of millions of dollars, carries should also avoid weak contract negotiations to maintain precious market share. So, the answer lies with fully addressing the revenue side of the equation as well.

The fact that the orderbook is at a virtual standstill is a major positive as is rapidly increased scrapping. But even so, the next two years will still be very challenging on the supply side with annual fleet growth of between 5 and 6 per cent and many more ultra large container vessels (ULCVs) to be delivered, Drewry says. Those carriers who can weather this prolonged storm have a chance of emerging the strongest in 2019-20. Until then, consolidation of routes, costs and of business will continue.

R Ramprasad
Editor and Publisher
ramprasad@gatewaymedia.in

"The acid test for 2017 will be how the lines approach Beneficial Cargo Owner contract negotiations."




India's premier maritime business magazine

maritime gateway

Editor and Publisher
R Ramprasad
ramprasad@gatewaymedia.in

Editorial

Associate Editors
Deepika Amirapu
deepika@gatewaymedia.in

Omer Ahmed Siddiqui
omer@gatewaymedia.in

Sisir Pradhan
sisir@gatewaymedia.in

Contributing Editor
Ritu Gupta
ritugup@gmail.com

Assistant Editor
Itishree Samal
itishree@gatewaymedia.in

Sr Correspondent
Mohammed Shareef MP
shareef@gatewaymedia.in

Design Team

Sr Designer
Vijay Masa

Designers
Nagaraju N S
Nadeem Ahammad

Marketing & Sales

National
Satish Shetti, Manager – Sales
satish@gatewaymedia.in
+91 99207 05534

South & International
Vinod G, Sr Manager – MarCom
vinod@gatewaymedia.in
+91 99498 69349

East
Nikhil Doshi, GM – Sales
nikhil@gatewaymedia.in
+91 98369 96293

Client Relations
Madhukar – Manager
madhukar@gatewaymedia.in
+91 93937 68383

Research
Rakesh Oruganti
rakesh.oruganti@gatewaymedia.in

Finance
C K Rao – General Manager
Rakesh U

Event Manager
Mayuri Tanna
mayuri@gatewaymedia.in

Administration
Sharmine Moss
Kishore P

Maritime Gateway is printed by R Ramprasad published by R Ramprasad on behalf of Gateway Media Pvt Ltd, #407, 5th Floor, Pavani Plaza, Khairatabad, Hyderabad – 500 004, Telangana, India

Printed at M/s Kala Jyothi Process Pvt Ltd, 1-1-60/5, RTC Cross Roads, Musheerabad, Hyderabad – 500 020.

Published at Gateway Media Pvt Ltd #407, 5th Floor, Pavani Plaza Khairatabad, Hyderabad – 500 004 Telangana, India

Regd. Office: H.No. 8-2-293/82/A/379 & 379/A, 2nd Floor, Plot No. 379, Road No. 10, Jubilee Hills, Hyderabad – 500 033.

CIN: U74900AP2007PTC054344

Editor: R Ramprasad

Feedback

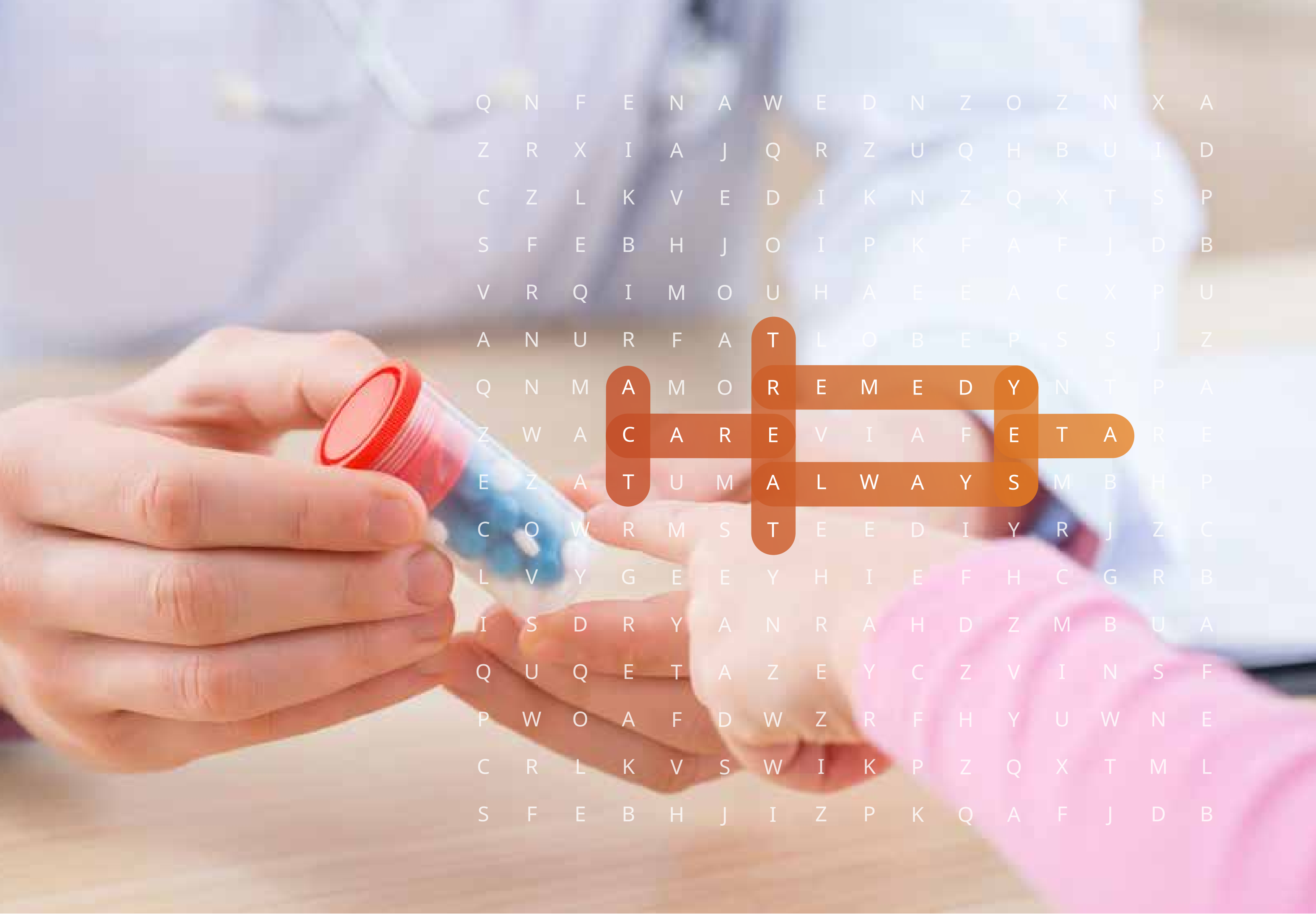
Readers are advised to send all feedback and comments to *editor@gatewaymedia.in*

CONTENTS

VOLUME 9 | ISSUE 02 | NOVEMBER 2016

Corrigendum

In the October issue, in the container terminal data sheet, the operator of Kattupalli International Container Terminal was wrongly written as Adani Ports & SEZ Ltd and MSC Mediterranean Shipping Company. Here MSC was wrongly used. We deeply regret the error.



The medicine you rely on is only as good as the company that delivers it.

The people who make medicines trust Agility to keep them safe. We develop temperature-controlled supply chains that protect drugs in shipment, storage and distribution. Drugmakers get product integrity and lower costs. Discover how you get the medicine you need and the confidence that it's safe to take.

Logistics to connect your world

Agility
Global Integrated Logistics

www.agility.com/pharma

Old school ships are back

Amid the dozens of cargo ships now steering through the North Sea, one vessel stands apart: *The Avontuur*, a 144-foot-long schooner powered only by the wind and sun. Stocked with crates of artisanal gin and vodka, the emissions-free cargo ship is making its maiden voyage from the tiny town of Elsfleth in northwest Germany and around the tip of Denmark to Rostock, on Germany's northeast coast.

After Rostock, the crew plans to spend the next one to two years hauling organic wines, fair trade coffee and other sustainable fare to ports across Europe, North America, the Caribbean and, eventually, Australia. *The Avontuur*, whose name means "adventure" in Dutch, is the newest and biggest member of a growing fleet of cargo ships that combine centuries-old technology – sails and masts – with modern inventions like solar panels and battery generators. The zero carbon footprint ship will draw the world's attention to environmental challenges.

Seaways shipping bags contract from SAIL

Seaways Shipping and Logistics Ltd has bagged a contract from Steel Authority of India Ltd to handle limestone imports at Paradip Port. Seaways will provide stevedoring, shore clearance, transportation, stacking and wagon loading of the limestone cargo. The quantity expected to be handled during the two-year contract is about 8 lakh metric tonnes. The company has already handled 48,000 metric tonnes of limestone cargo that came in two ships in September.

Kalyana Rama is new CMD of CONCOR

V Kalyana Rama has taken over as the Chairman and Managing Director of Container Corporation of India Ltd, a navratna PSU under Railways Ministry. Prior to this, he was serving as Director (Projects & Services), CONCOR since June 2015. Having worked in BHEL, BHPV before joining Indian Railways, Rama has held various challenging assignments in his career with Indian Railways and CONCOR.

Kalyana Rama has wide experience of engineering, system design, railway and multimodal operations and project planning and commissioning.

India slow in developing Chabahar Port

Roughly 13 years after India first agreed to develop the port of Chabahar, a single ship floated at the main jetty. Most of the cargo containers scattered in an asphalt lot bore the logo of the state-owned Islamic Republic of Iran Shipping Lines. In an adjacent harbour, a dozen traditional fishing boats, bobbed in the water. Months after the ceremony in May and pledges by India to inject $500 million into the project, the port remains a sleepy outpost. Despite the project's importance, Indians and Iranians haggled for two years over who would pay $30 million of excise duties on port equipment imported into Iran. "The slowness comes from these small things," said Mosadeghi, who heads the economic section at Iran's embassy in New Delhi. "Both sides want to expedite this."

India, Bangladesh discuss cooperation in hydrocarbons

With Bangladesh recently allowing passage of Indian trucks carrying petroleum products to Tripura through its territory, both the nations are discussing other areas of bilateral cooperation in hydrocarbons. Both sides are working on details of the proposed pipeline project – the Indo-Bangla Friendship Pipeline – between Siliguri and Parbatipur. Indian Oil Corp had last month transported petroleum products from Assam to Tripura through Bangladesh. The arrangement was due to the difficulties faced in carrying petrol and diesel through the Indian roads of the region. India has proposed for setting up of LPG import terminal at Chittagong by Indian Oil Corporation.

DP World Mundra reports record productivity

DP World operated Mundra International Container Terminal (MICT) has achieved a record productivity of 49.5 moves per crane per hour while handling the Maersk Line vessel *MV Seroja Lima*. It has exceeded the terminal's earlier productivity record of 48.97 moves per crane per hour which was set in August 2014. Also, DP World Mundra achieved a berth productivity rate of 180 moves per hour at the main berth.

Government starts river-transport project with 8 waterways

The shipping ministry has identified 37 of the recently notified 106 inland waterways to develop them for transport of cargo and passengers in the next 2-3 years. These include rivers in Uttar Pradesh, Bihar, Goa, Assam and West Bengal. The tendering for Barak, Ghaghra, Gandak and Kosi rivers has already been initiated for fairway development. The tenders for terminal development will be rolled out by year end. "In case of other short-listed waterways, detailed project reports are being prepared. About 18 of the newly declared 106 waterways may not be technically viable due to traffic issues. The feasibility report of another 52 are being assessed to take a final call.

India to double LNG import capacity to 50 million tonnes a year

India plans to more than double its LNG import capacity to 50 million tonnes a year. It has a capacity to import 21 million tonnes of the super-cooled fuel currently. As the nation moves to a gas-based economy, India wants to increase the share of natural gas in its energy mix to 15 per cent in the next three-to-four years from 6.5 per cent now, Dharmendra Pradhan, Oil Minister said.

GE to raise exports from India

American conglomerate GE may ramp up its exports from India, its vice-chairman John Rice said and urged India to create a new export credit agency to boost exports. "We export 50 per cent of what we make in India and we believe that number should go even higher," Rice said. The company has made significant new investments in Bihar and Pune manufacturing facilities. India is ramping up its manufacturing capabilities but the true benchmark is to compete on a global scale. Over time, labour cost is going to be less and less of an advantage and so having an export credit agency would help offset that.

Concor, APMT and Maersk bid for Colombo container terminal

Concor has formed a consortium with APM Terminals, BV John Keells Holdings and Maersk Line to bid for the development of East Container Terminal at Colombo. The project is expected to cost $550-600 million. Concor will have no less than 20 per cent of the shareholding in the consortium. East Container Terminal is designed as a deep water container terminal to have a 1200 metre linear quay wall comprising three 400 metre berths, an alongside draft of 18 metres and a minimum throughput capacity of 2.4 million teu.

Regular container service to Colombo from Kakinada Port

Maersk Line is launching scheduled service from Kakinada to the transhipment port of Colombo. The shipping line at present operates from Kolkata-Haldia, Chennai, Visakhapatnam, Krishnapatnam and Tuticorin ports. Maersk has been transhipping containers from Kakinada on an experimental basis for past few months since launching of containers at Kakinada Container Terminal (KCT). Following increase in containers to transport cargoes like rice, sugar, paper, chemicals and vegetable oil, Maersk Line India is launching this scheduled service.

All lighthouses to be solarised

To reduce carbon footprint, the Ministry of Shipping has announced to achieve complete solarisation of lighthouses by December 31, 2016. At present there are 193 lighthouses in India out of which Directorate General of Lighthouse and Lightships has already solarised 176. Post complete solarisation, approximately 1.5 megawatt-hour energy will be generated which will amount to reduction of approximately 6,000 kg of greenhouse gases per day. The ministry has also been pushing for the use of solar panels on boats and ferries which traditionally use diesel generators as source of power.

Essar Power to import more coal

Essar Power Gujarat has a budget of ₹3,000 crore to import coal to its Salaya coal-fired power plant, in the state of Gujarat. The company started buying coal through its e-auction platform five months ago, and has already bought the equivalent to ₹1,500 crore in coal. Essar has 30 registered suppliers in its database, from countries like Indonesia, Australia, South Africa and Colombia.

For the next year, the company is already prepared to invest a further ₹3,000 crore to buy more coal in its e-auction platform. Additionally, Essar will soon put into operation a coal conveyor and a water intake system that will significantly increase the performance of its power plant.

“The strategic implications of the eastward interface of the Indian subcontinent are still unfolding... and its quickening pace now certainly elicits greater attention. India’s ability to integrate more closely to the East has the potential to transform the Asian landscape."

– Dr S Jaishankar
Indian Foreign Secretary

“The Global Shipping Forum is determined to end the practice of levying surcharges and restore visibility to shipping rates and confidence to shippers. It has set itself the goal of ridding world trade of surcharges by 2020. ”

– Chris Welsh
Secretary General, Global Shipping Forum

“There is a fear that once India develops its infrastructures and, particularly, ports in the eastern and western coasts, they will prove to have a detrimental impact on the Colombo Port. I do not believe that will happen.

– Y K Sinha
Indian High Commissioner to Sri Lanka

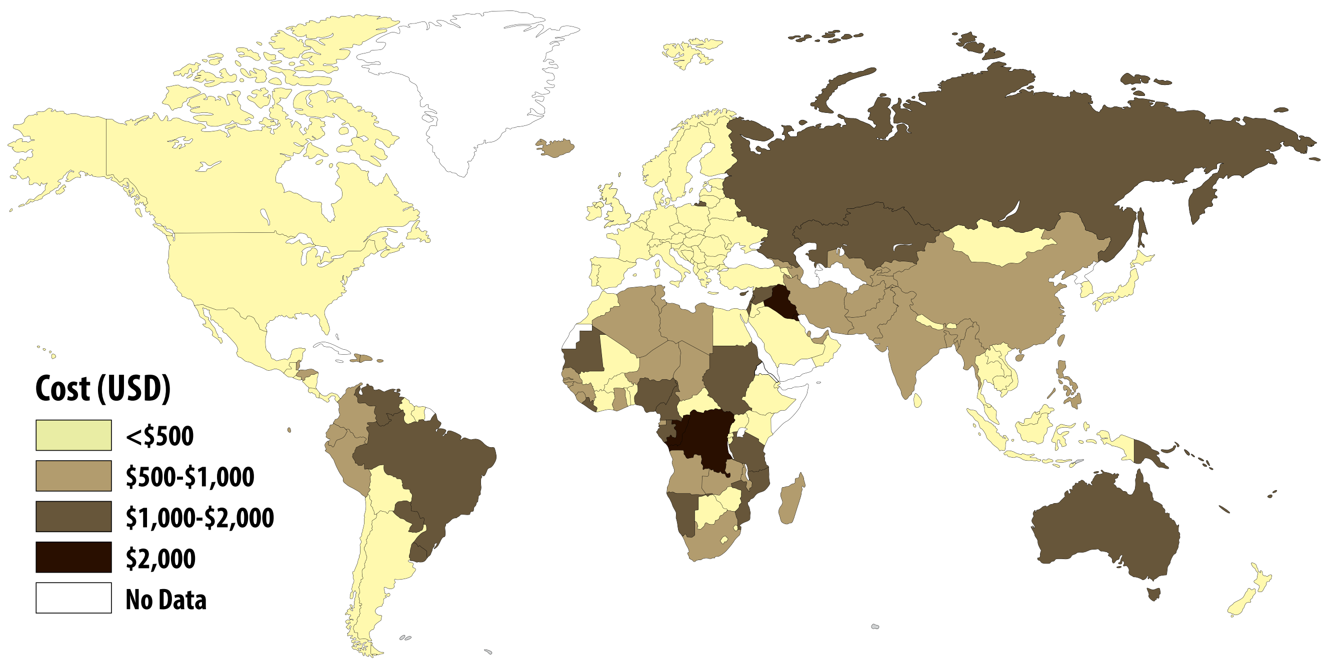
“Cargo-owners try just one or two voyages via coastal route and go back to rail or road. This reluctance is keeping shipping companies from investing in coastal business. ”

– Captain Kiran Kamat
MD, Link Shipping and Management

“Shipping companies must push ahead with restructuring efforts, such as reducing surplus vessels, even if they are painful. But it is unlikely the situation will improve rapidly. I think the harsh conditions will continue at least until the end of next year. ”

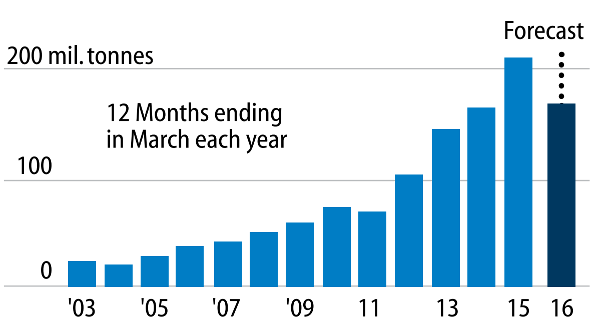
– Junichiro Ikeda
President, Mitsui O.S.K. Lines

COST ASSOCIATED WITH DOCUMENTARY AND BORDER COMPLIANCE REQUIRED TO EXPORT GOODS BY COUNTRY

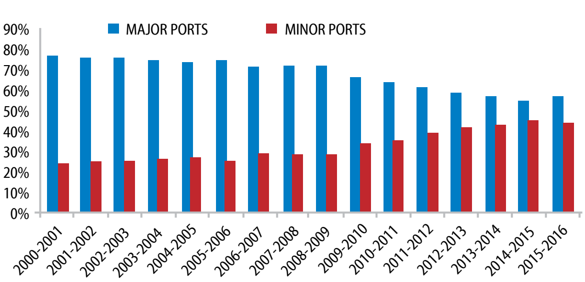


Source: Economics and Statistics Administration analysis

INDIA'S COAL IMPORTS TO FALL



MARKET SHARE OF MINOR AND MAJOR INDIAN PORTS

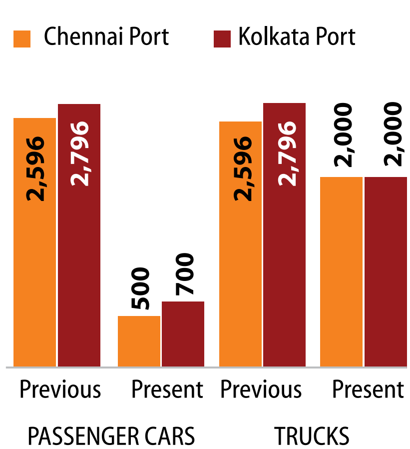


Source: Indian Ports Association

REDUCED WHARFAGE CHARGES AT KOLKATA AND CHENNAI PORTS PROMOTING RO-RO TRANSPORT

SAILING THROUGH

Reduced wharfage charges at Kolkata and Chennai ports to promote maritime transport of cars (in ₹)



Estimated time taken for transport by road and sea

2 days
By road, from Tamil Nadu to Gujarat

5-6 days
By sea, from Tamil Nadu to Gujarat

3-4 days
By road, from Tamil Nadu to W. Bengal

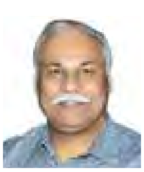
5-6 days
By sea, from Tamil Nadu to W. Bengal

SHIPPING

IRClass opens new office in Alang

The Indian Register of Shipping has opened an office in Alang. The new office will work to support IRC's ship recycling initiative. The opening follows the organisation's recent initiative of certifying ship recycling yards according to EU standards as an independent verifier. IR Class Systems and Solutions Pvt. Ltd. (ISSPL), an entity promoted by IRC, has certified four ship recycling yards in Alang as an independent verifier in accordance with the requirements of European Union Ship Recycling Regulation (EUSRR) 1257/2013. At present about 25 ship recycling facilities in the Alang have approached IRC for different services, including compliance audits for the Hong Kong Convention, EU compliance audits and ISO certifications.

Umesh Singh takes over as new general manager of east coast railway



Umesh Singh, an officer of Indian Railway Stores Service (IRSS) of 1979 batch has taken over the charge of General Manager, East Coast Railway. Prior to this posting, Shri Singh was holding the post of Addl. Member (Railway Stores) at Railway Board, New Delhi. A graduate in Mechanical Engineering, Shri Umesh Singh also holds a Masters Degree in Business Administration from Southern Cross University, Australia. Among the posts that Umesh Singh has held are as Additional Divisional Railway Manager, Bhavnagar, Western Railway and at Raipur, South East Central Railway. He also held charge as Controller of Stores on East Coast Railway and North Central Railway. Umesh Singh has worked as Divisional Railway Manager in Izatnagar Division on North Eastern Railway. He was Additional General Manager at South Central Railway, Secunderabad.

Government working on a multi-transshipment law

A vessel from Dubai may soon be allowed to offload at Nhava Sheva port in Maharashtra and reload cargo from there for shipment to Colombo, if things go according to the government's plan. The plan, part of the 'ease of doing business' initiative, seeks to cut cost and time for exporters, while importers will have a legal backing with the government's multi-transshipment law. The law will allow reloading of cargo on the same vessel, switch from larger to a smaller vessel and moving vessel through a foreign territory. The idea is to give exporters and importers complete freedom for movement of goods – operational freedom, transport and transshipment freedom.

Essar Ports' cargo handling up 35 per cent in Q2

Essar Ports Ltd has logged 35 per cent growth in its total cargo handling for the quarter ended September 30. Its cargo volume rose from 13.55 million tonne (mt) to 18.27 mt. Third party cargo handling zoomed 106 per cent from 0.5 mt to 1.03 mt in the period.

In the July-September quarter, the various terminals of the company handled 209 ships as against 179 ships in the corresponding period last year. The robust performance in the quarter has been driven by significant operational improvements and better cargo support from anchor customers.

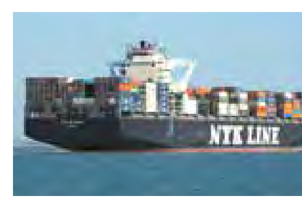
In the April-September period, total cargo handled by Essar Ports rose 33 per cent from 26.54 mt to 35.37 mt.

Andhra Pradesh to have a shipbuilding unit

The Economic Development Board of Andhra Pradesh signed a pact with Russia's JSC United Shipping Corporation for setting up a shipbuilding unit in the state. United is expected to invest about ₹100 crore in the proposed project. The board also inked an MoU with Russia's TechnoNICOL Corporation for establishing a world-class manufacturing complex in Visakhapatnam district to produce membranes, shingles and other waterproofing and roofing products. United Shipping Corporation and the Economic Development Board will jointly explore the prospects of potential collaboration for organisation of cargo and passenger transportation as well as design and construction of civil watercraft.

TechnoNICOL, a leader in manufacture of materials for waterproofing, roofing and insulation, will invest $62 million for setting up the world-class manufacturing complex in partnership with SUN Group Enterprises.

NYK Line braces for extraordinary losses



NYK Line has announced it will report ¥195 billion ($1.9bn) in extraordinary losses in its results for the second quarter 2016, due to the sustained downturn in liner and dry bulk shipping markets. The extraordinary loss is comprised of an impairment loss of ¥160 billion ($1.5bn) plus a ¥35 billion ($336.9m) provision for losses related to contracts.

NYK's containerships will incur a ¥100 billion ($962.7m) impairment, plus ¥85 billion ($818.3m) for its bulk carriers and ¥10 billion ($96.3m) for its cargo aircraft. "Although the market is projected to recover in the first half of the fiscal year ending March 31, 2017, market indicators have not reached anticipated levels," NYK said of its ailing liner business.

ICICI Bank takes 11 per cent stake in ABG Shipyard

ICICI Bank has taken over 11 million shares in ABG Shipyard in a debt-for-equity deal that gives it an 11.08 per cent stake in the yard. Creditors now own a 49 per cent stake of the struggling company, led by State Bank of India, and last month enlisted the help of Rothschild to find it a new owner.

A new buyer must be found within 18 months according to usual Reserve Bank of India procedures. ABG Shipyard shares rose over 9 per cent on the news of ICICI taking the significant stake. The debt-ridden shipyard reported a net loss of ₹1,710.68 crore ($254.8m) for the first quarter of 2016, considerably more than the loss of ₹374.86 crore ($55.8m) reported in the same period of 2015.

ABG Shipyard has also announced plans to sell of its subsidiary Western India Shipyard that offers ship and rig repair services and has a capacity to repair ships up to 60,000 dwt.

CaroTrans launches Atlanta-Nhava Sheva direct, weekly LCL service

CaroTrans starts a new direct weekly LCL service from Atlanta to Nhava Sheva. This service is to address increased demand from the US Southeast and Gulf regions. It offers extremely competitive transit times, from the Gulf – 38 days, and the Southeast – 33 days. At destination, shipments are securely handled and de-consolidated by CaroTrans' dedicated partner, Globelink WW India, which provides full India market penetration serviced from 15+ ICDs. Together, CaroTrans and Globelink offer 10 weekly LCL import/export services between the US and India.

LOGISTICS

India helps reduce Bangladesh-Sri Lanka logistics time

Marks & Spencer shipment of Expo Freight (EFL), Sri Lanka's leading forwarder, recently entered India from Bangladesh, making it the first truck to make the cross-border transition without unloading the consignment and transferring it to another truck at the border. EFL's truck arrived in Delhi from Dhaka via Magura, Jessore, the Benapole-Petrapole border, and Kolkata.

Global brands as well as the domestic companies of the apparel-centric economies in the subcontinent will benefit from this agreement. It could increase intra-regional trade in the region by up to 60 per cent and global trade by more than 30 per cent.

FMCG players get systems in place for business under GST

Major consumer products companies are busy tweaking their warehousing systems and supply chains and modernising IT infrastructure, ahead of the rollout of the GST regime. Companies such as PepsiCo, Dabur, Kellogg's and Hindustan Unilever among others are in the last leg of preparations.

"The big unlock will be the warehouse consolidation since that will shift from a distributed, state-driven model to consolidated large warehouses and the investments in IT and modernisation will enable this," said Niteen Pradhan, vice president for supply chain at PepsiCo India."This will also bring in global best practices to the warehousing industry in India," he said.

IOC to lay India's longest LPG pipeline

Indian Oil Corp (IOC) plans to lay the nation's longest LPG pipeline from Gujarat coast to Gorakhpur in eastern Uttar Pradesh to cater to growing demand for cooking gas in the country. IOC plans to import LPG at Kandla in Gujarat and move it through the 1,987-kilometre pipeline to Gorakhpur via Ahmedabad (in Gujarat), Ujjain, Bhopal (in Madhya Pradesh), Kanpur, Allahabad, Varanasi and Lucknow (in Uttar Pradesh). The pipeline will carry 3.75 million tonnes per annum of LPG.

LPG will be fed into the pipeline at Kandla Port as well as IOC's Koyali refinery in Gujarat. This will be the biggest LPG pipeline in the country. IOC is building additional import capacities at Paradip, Cochin and Kandla to meet the increasing requirements of imports. The proposed pipeline will connect eight of IOC's LPG bottling plants in central and northern India.

Sahibganj to become exim hub

Sahibganj in Jharkhand is set to come up as an exim point with a multimodal hub being developed there, and the government's nod to ₹1,955 crore project today to link it to Bihar will further boost connectivity. "We are constructing a multimodal hub on the Ganga at Sahibganj with railway, road and water connectivity. We have acquired land and exports can be done to Bangladesh and even to Myanmar, besides goods despatches to West Bengal and Bihar," the road transport, highways and shipping minister, Nitin Gadkari said. The project will connect North India to North East. The project will prove to be a milestone for development of Bihar and Jharkhand, and about 70 per cent of the land has been acquired for it.

Schenker India to handle warehouse operations for Volkswagen Group

Schenker India Pvt Ltd will be managing the aftermarket warehouse operations of Volkswagen Group Sales India in NCR and Bengaluru. The company would be responsible for receiving, binning, pick, pack and dispatch operations in the aftermarket spare parts warehouse of VW, Audi, Skoda, Porsche and Lamborghini spare parts and accessories. The National Capital Region warehouse of Volkswagen is located at Sultanpur, Gurgaon, and is spread over 120,000 sqft. The distribution centers in NCR and Bengaluru cater to dealers of VW, Audi, Skoda, Porsche and Lamborghini across North India, East India and South India. With the commencement of new locations in Gurgaon and Bengaluru, DB Schenker is now able to provide logistics services to the automotive sector in region north and Bengaluru as well.

Paradip Port cargo up 18 per cent in Apr-Sept

Paradip Port Trust has recorded 18.3 per cent growth in the April-September period of this financial year in total cargo handling. The port's overall cargo moved up from 36.07 million tonne (mt) to 42.67 mt. The port outperformed all the major ports barring Mormugao whose cargo surged 61.02 per cent in the period under review. For Paradip port, the cargo volumes were led by iron ore, coking coal and liquid cargo consisting of crude oil, petroleum and lubricants.

Coking coal shipped through Paradip port spiked 18.45 per cent to reach 5.07 mt. Iron ore traffic witnessed a spurt of 66 per cent. The port registered 32 per cent rise in liquid cargo that increased from 9.52 mt to 12.64 mt in the April-September period. In terms of total cargo volume, Paradip Port was only next to Kandla port, which handled 50.38 mt. The Paradip port handled 778 vessels during April-September compared to 771 vessels in the corresponding period of 2015-16.

CMA CGM promotes use of LNG

CMA CGM and ENGIE signed a MoU to promote LNG as the marine fuel for container vessels. Farid Salem, Executive Officer of the CMA CGM Group, and Isabelle Kocher, CEO of ENGIE, signed the agreement that focuses on a joint CMA CGM and ENGIE technical and economic study on LNG; a study about the development of engineering specifications for a bunkering vessel adapted to LNG powered container ships, so as to improve over time the logistics chain necessary to fueling this type of vessels, thus promoting their deployment. This agreement rounds out the research program undertaken since 2011 by CMA CGM to design ever more environment-friendly large capacity container ships.

Power ministry wants BHEL to use domestic coal

The Power Ministry wants Bharat Heavy Electricals to adapt its thermal power plants to burn domestic coal. Before Coal India began ramping up coal production, companies and utilities were forced to import coal, with power units being designed accordingly. The Power Minister Piyush Goyal wants to reverse that and is now trying to pressure companies, including BHEL, into switching to domestic coal. Many coastal power plants continue to operate with imported coal, even after Coal India's efforts to increase production.

Apollo Logisolutions signs MoUs with PIL and Singamas

Apollo Logisolutions Limited and Pacific International Lines (Pte) Ltd (PIL) have signed two MoUs to explore logistics opportunities in India. First MoU between ALS and PIL is for mutual cooperation in CFS and allied services whereas second MoU is to jointly pursue transportation of specialized liquids in India. The MoU signed with PIL will enhance logistic services relating to CFS, ICD, freight forwarding, custom brokerage, 3PL, warehousing and allied services. The scope of the partnership with Singamas will include movement of all types of non-POL liquids either by rail or road, operation and management of movement of liquid tanks, their maintenance and cleaning.

The timeline of the MoUs will be five years, during the course of which an investment of $50 million has been embarked upon. The partnership will provide an excellent opportunity to promote bilateral trade between the two countries.

Maersk to recycle ships at Alang

Maersk Line will send more vessels for breaking at Alang. 'Our objective is to recycle in the most responsible way and at the same time at a competitive price,' said Annette Stube, head of sustainability, Maersk Group. The shipping line is looking at India as an alternative to China and Turkey. Two vessels, *Maersk Wyoming* and *Maersk Georgia* have already arrived at the Shree Ram Vessel Scrap yard at Alang.

P Raveendran is the new chairman of Chennai Port Trust

The Ministry of Shipping has appointed P Raveendran, IRTS as the new chairman of Chennai Port Trust. His previous deputations include Divisional Railway Manager, Khurda road division of East Coast Railway; and Chief Freight Transportation Manager with Southern Railway. He has also worked in various senior capacities in southern and south western railways and also as group general manager at Concor.

FFFAI organises EC meeting & AGM in Madurai

The Federation of Freight Forwarders' Associations in India (FFFAI) held its 6th Executive Committee meeting and 53rd AGM in Madurai on September 16 and 17, 2016, respectively. The meeting was attended by more than 100 members representing the respective 27 Custom Broker Associations, which are the members of FFFAI, from across the country.

On this occasion, K Vaitheeswaran, renowned Advocate and Tax Consultant, made a presentation on the details and impact of ensuing Goods and Services Tax (GST) on Customs brokers, freight forwarders and the logistics industry in India.

In his speech, Samir Shah, Chairman of FFFAI, highlighted the rapidly changing ecosystem of the freight forwarding and logistics business and the role of the Federation to train its members to cope with these changes.

Transindia Logistics to commence operations at CWC's CFS in Mundra

Transindia Logistics has bagged the contract to manage and operate Central Warehousing Corporation's (CWC) CFS in Mundra. The CFS facility is located in close proximity to an existing CFS operated by Allcargo. With 40 acres of sprawling space, Transindia is poised to transform the way operations are conducted in Mundra. With the expertise of Transindia the operations at Mundra CFS will bring in new level of supply chain capabilities and will serve as a benchmark in the realm of CFS.

With unique features like the presence of cutting-edge technology and processes, highest safety, security standards, expertise in handling ODC and hazardous cargo, Transindia will create a new standard in CFS operations at Mundra. A trained staff of professionals will handle the freights with well-equipped facility to provide best services to its customers.

FFFAI 23rd Biennial Convention and FIATA World Congress

The 23rd Biennial Convention of FFFAI has been scheduled to take place from January 19-21, 2017 at Crowne Plaza Hotel, Cochin. The theme of the convention will be relevant to prevailing scenario of global business as well as logistics Industry. FFFAI will also organise the 'FIATA World Congress 2018' from September 24-29, 2018 in New Delhi.The FIATA World Congress 2017 will be hosted in Malaysia.

The FFFAI Biennial Convention 2017 will have two full day interactive business sessions on various topics pertaining to logistics Industry and allied. The speakers would be leaders in respective fields with rich experience and domain knowledge to represent a wide range of logistics industry and government departments.

Indian ports pressed to lower rail handling charges

Shipping ministry has asked port authorities to make rail services economically attractive, lowering handling charges to draw more truckloads onto intermodal trains. JNPT has announced that it will soon take approval from TAMP for a downward revision of rail handling charges to equalise the cost for shippers. The move is expected to increase the share of rail freight to about 25 per cent for JNPT in the near future. According to port and railway officials, although Concor has a fixed rate of ₹52,000 per 20 foot container from JNPT to Tughlakabad ICD, container lines are charging shippers ₹92,000 for the same movement. Due to these gross charges shippers prefer to move cargo by road at a cost of ₹56,000.

Government to merge coal and mines ministries

The government is working on a proposal to merge the coal and mines ministries as many of the inaccuracies of the coal sector have been set right. The entire paperwork in the coal ministry would be replaced with digitised files. Anil Swarup, Secretary, Ministry of Coal said his ministry is working in consultation with its shipping counterpart and the Railway Board to intensify movement of coal through ships.

IOC to expand refinery

Indian Oil Corporation is scaling up an expansion plan for its biggest refinery in northern India at a cost of ₹150 billion. The capacity of Panipat refinery will be expanded to 25 million metric tonnes a year from the current 15 million tonnes. Indian Oil plans to spend ₹1.84 trillion through 2022 to expand its refining, pipelines and distribution infrastructure. The refiner will add annual capacity of 24 million tonnes to its existing refineries over the next six years.

Rules governing captive coal mines

India's Coal Ministry is finalising a new coal policy aimed at liberalising rules governing captive and merchant coal mines against a backdrop of surplus availability of the dry fuel in the domestic market. The new policy is expected to be unveiled within the next month. Among the changes proposed, the most major pertained to captive coal mines, with the new policy said to permit captive coal mining leaseholders making excess production available on the open market as merchant sales. This will ease pressure on mining lease holders. The government will make it mandatory that all coal from captive mines made available on a merchant sale basis, is suitably washed or beneficiated at pitheads.

PORTS

Nine firms express interest for developing Kolkata, Patna water transport terminals

Nine companies have placed bids for developing water transport terminals at Kolkata and Patna on PPP mode. The ministry expects to award the project by next month. The project includes development and operation of Kolkata Terminal's GR Jetty -I, GR Jetty-II and BISN and Patna Terminal's Gaighat and Kalughat on National Waterways -1. This is the first PPP project undertaken by the IWAI. As per the contract, the operator will undertake the operations and maintenance services at both Kolkata and Patna clusters and invest in equipment handling mechanism, goods, items, container loading and unloading equipment and warehousing. IWAI will initially invest ₹80 crore for the estimated cost construction of the Kalughat Terminal and ₹10 crore as the cost of land acquisition of about 2-3 hectares for the container cargo Terminal.

Water transport workers oppose new port bill

The Water Transport Workers Federation of India (WTWFI) is opposing the Major Port Authorities Bill 2016 as well as the new stevedoring and shore handling policy for major ports. WTWFI general secretary T Narendra Rao said it is evident from the draft bill that the government has decided to have a port authority instead of a port trust and board of management instead of a board of trustees at each major port. "This provision no doubt would ultimately lead to privatisation of major ports and have a severe negative impact on port workers as well as pensioners," he added.

"The ministry of shipping has issued guidelines to all major ports for implementation of new stevedoring and shore handling policy immediately and existing stevedoring agents will have to switch over to the new scheme. Stevedores can deploy their own workers on board as well as on shore. This would pave the way for stevedores handling the cargo to engage their own men. When that happens, employees and workers of the major ports will be thrown out of their employment and would be considered surplus."

JNPT reports September performance

JN Port handled 4.8 million tonnes of total cargo in September'16 and 30.78 million tonnes between Apr-Sep'16 which includes 27.19 million tonnes of containerized cargo, 3.22 million tonnes of liquid cargo and the remaining 0.37 million tonnes was miscellaneous cargo in the form of dry bulk and break bulk cargo. JN Port handled 3,58,877 teu of container traffic in September 2016 and 22, 61,662 teu between April-September'16 recording YoY growth of 0.80 per cent.

JNPCT, port-owned container terminal, handled 1,22,384 teu in Sep'16 and 7,80,375 teu in April-September'16 recording growth of 10.42 per cent over April-September last year. The pre-berthing waiting time at JNPCT reduced to 0.03 days from 0.09 days in August 2016.

Adani sole bidder for Bhavanapadu Port

The Adani Group is inching closer towards establishing its presence in the port sector in Andhra Pradesh by being the lone company to submit financial bids for developing the Minor Bhavanapadu Port in Srikakulam district. The decision would be taken based on the revenue share that has been offered to the state government in the proposal.

The proposed port is expected to have a total capacity of 30.57 million tonnes. A total of 14 berths were proposed, of which five will be completed in the first phase and the remaining nine will be completed in the second phase.

The state government intends to develop Bhavanapadu Port with the support of a private developer to handle all types of cargo such as bulk, break bulk, container and liquid materials. The port site was selected taking into account its proximity to the mineral-rich states of Chhattisgarh, Jharkhand, Madhya Pradesh and southern Odisha. The estimated cost of the project is ₹3,725 crore apart from ₹650 crore estimated for land acquisition.

ICTT posts record performance in 2016

DP World operated International Container Transshipment Terminal, Cochin has witnessed 24 per cent growth for the current year till date. First nine months of the year saw an overall increase of 31 per cent in the number of vessels handled and an improvement in Gantry crane moves to 31 moves per hour per crane which outshines the international industry standards. The truck turnaround time of 26 minutes, provides mute testimony of the terminal's operational efficiency. The terminal has also been consistent in handling an average of over 40,000 teu in this financial year.

Jibu Kurien Itty, CEO, DP World Cochin said, "We have excelled in our operational parameters of GCR (gross crane rate) and truck turnaround time, which have helped us to turn vessels around much faster than other ports in the region, thereby saving both time and money for shipping lines. We have facilitated the trade by redefining their supply chain, ensuring less cost, faster transit times and best-in-class customer service. We have ensured better coordination with trade bodies in all aspects of shipping, including operations and documentation and that has helped in gaining and maintaining the momentum."

EXIM

Myanmar struggling to meet India's bean demand

Myanmar, the world's second-largest bean producer after Canada, has been struggling to meet an export order for 900,000 tonnes of beans from India. U Khin Maung Lwin, Assistant Secretary for the Ministry of Commerce, said discussions were proceeding with India, which wanted to amend an existing MOU to increase its imports. While Myanmar was ready to export 600,000 or 700,000 tonnes of mung bean and green gram, it can meet the demand for an extra 200,000 tonnes only by throwing in pigeon peas as well. The Indian demand has already driven up the price of mung beans from K1.25 million a tonne to K1.45 million.

India imports more coal from South Africa

Coal importers in India are turning their attention to higher-grade coal from South Africa. During the quarter ending June 30, thermal coal imports from South Africa to India increased by 57 per cent year-on-year to 10 million tonnes. In the other side, imports from Indonesia grew by only 0.8 per cent to 23 million tonnes.

Indonesia continues to be India's main supplier, but customer preference is rapidly turning towards South Africa. While the calorific value of Indonesian coal normally averages below 4,000 kilocalories per kilogram, South African coal averages 6,000 kilocalories per kilogram. The newer coal-fired power plants in India use super critical technology, limiting intake to higher-grade thermal coal. It is difficult to predict if this trend will be able to continue. Coal India wants to reduce coal imports and expects to replace 15 million tonnes of imported coal with domestic coal over the next six months.

ISPRL starts receiving crude from Iran

Indian Strategic Petroleum Reserves Limited (ISPRL) cavern at Mangalore received its first parcel of crude oil which consisted of 0.26 MMT of Iran Mix variety of crude brought on board very large crude carrier *MT Dino*. ISPRL cavern in Mangalore is one among three such strategic national reserves – the other two being at Padur in Udupi and Visakhapatnam in Andhra Pradesh. Located on both east and west coasts of India, the three underground rock caverns with total capacity of 5 MMT can store crude oil that can be used to run refineries for approximately for 14 days. The work of laying a pipeline from Mangaluru cavern's intermediary pumping station at Jokatte to Padur is underway and likely to be completed in two months. The government is planning to set up two more reserves at Chandikhol in Odisha and Bikaner in Rajasthan with estimated storage capacity of 10 MMT at an estimated cost of ₹10,000 crore.

BRICS members to sign pact to reduce non-tariff barriers

Though India is not in a hurry to consider the Chinese proposal to have a free trade area among BRICS nations, the five emerging economies will sign an agreement at the upcoming Goa summit for better customs cooperation with an eye to reduce non-tariff barriers among the nations. By setting up a free trade area, BRICS countries would be able to remove tariff and non-tariff barriers, give play to their comparative advantages, and advance trade and investment liberalisation among them. Agreements on developing a portal for small and medium enterprises as well as one on non-tariff measures are expected to be signed in Goa.

Nepal to open consul office in Vizag

After being convinced on the ecosystem in Visakhapatnam to make it a gateway port for export and import cargo of Nepal, Nepal has expressed plans to open a Consulate General office in the city. The Ministry of Commerce, Nepal, has already notified on payments through Nepal Rastra Bank. CONCOR has also issued the rate chart, which explains the cost advantage of Visakhapatnam Port, compared to Kolkata, as the second gateway port. As of now, clearances will be made by the office located in New Delhi. For cargo bound through the Kolkata Port, clearances are given by the consul office at Kolkata. At least 80 per cent of cargo projected to be routed through Visakhapatnam is Letter of Credit cargo, which is transported by train with customs clearance stamping benefiting import cargo from China bound for Nepal.

Russian companies acquire Indian oil assets

A conglomerate of Russian companies headed by oil major Rosneft is acquiring India's Essar Oil for nearly $13 billion, which also includes Essar Oil's debt of $4.5 billion. Rosneft will acquire a 49 per cent stake in Essar oil, while the other two investors, trader Trafigura and a Russian fund UCP, will hold the remaining 49 per cent in equal parts. Through this, Rosneft will get an additional outlet for its oil in the world's largest growing fuel consumer.

Among Essar's oil assets is the 400,000 barrels per day oil refinery in Vadinar, which produces petcoke and sells fuel through the company's 2,470 stations in India. The Vadinar Port and the power plant associated to the refinery are also included in the deal. Rosneft is considering supplying the refinery with Venezuelan oil.

A comforting move

The government's intent to make business easier for new port operators is appreciated. Equally, the government should also adopt a sympathetic approach towards the existing operators

by Deepika Amirapu

The Ministry of Shipping has proposed a new Model Concession Agreement (MCA) for the ports sector replacing the older agreement that has been in existence since 2008. The old compliance document was revised and as many as 11 new recommendations from the industry have been incorporated after consulting the Planning Commission, the Indian Ports Association, the Kelkar Committee Reports and inputs from the industry.

The key objectives of the revised MCA include more equitable allocation of project risks, provisions to handle unforeseen circumstances, removing ambiguity in existing provisions and to attract more private sector investment. The changes to existing guidelines have been long overdue and an oft brought up plea before the ministry by the industry. The change in guidelines to a large extent will benefit the private terminal operators in major ports who have cried foul over being put at a disadvantage because of the overbearing norms of the concession agreement.

There is still a degree of ambiguity on these recommendations being implemented. And so the million dollar question being asked is, "Will the existing players be allowed to migrate to the new policy or will certain provisions be rolled back to make way for the new ones?" **Captain Dinesh Gautama, President, Navkar Corporation** says "A few of the recommendations are really needed and timely. The early exit option will benefit the private operators tremendously as they can exit the project in case they do not want to run the terminal after it breaks even." Currently, the existing operators can only alter their share holding pattern by transferring their stake from one subsidiary to another. The approval of discounts on ceiling rates is another provision that will benefit not just operators but also cargo owners, Capt. Gautama says. "This will allow the ports to give discounts to their customers because the concessionaire can approach the port to consider and approve discounts on ceiling traffic and revenue share shall be paid only on the approved discounted tariff of the approved revenue share as against the gross revenue collected presently."

The approval of discounts on ceiling rates will benefit operators and cargo owners.

The MCA's inclusion of utilising more equipment to increase productivity is another welcome relief for operators as it allows them to deploy more workforce and equipment to increase its productivity. But what's not clear if the concessionaire will be taxed for any increase in volume of cargo handled as is the practice now. Many international terminal operators who function in India are withholding any increase in cargo handled in spite of capacity available for fear of having to cough up a greater share of their revenue to the government.

Another shot in the arm is the inclusion of cost and time escalation in projects undertaken as the estimated outlay for a project could go up significantly if government approvals do not come in time.

The government's intent to allow greater operational room for private players by changing the MCA is a welcome move. But it is not *acche din* for the terminal operators yet as the new rules will not be applicable for the existing operators. For the current terminals to ramp up cargo handled, a kinder law and some revised amendments will be a nice Christamas gift from Nitin Gadkari whose turn it is to play the real Santa.

AFRICA

LAND OF RISING OPPORTUNITIES

Growing trade volumes and rising GDP have caught the eye of many a firms across the globe that are taking a plunge into the Dark Continent that offers both opportunities and challenges. While the African government is bracing up, creating new policies for investment and improving infrastructure, global firms are lending a hand to plug the gaps in infrastructure

by Deepika Amirapu

A decade or two ago, while Asian countries were brushing themselves up to be the next superpowers in the world, Africa was viewed as a channel for many countries to spruce their development index up and expedite growth. From telecom players to healthcare firms and logistic companies to retailers – they all wanted to test their products in at least 20 plus countries of the 54 that Africa has to check for the product's or service's success factor before they expanded operations in other parts of the world. It was viewed as a window of opportunity for all those who could service the countries' growing requirements and a continent that could supplement revenues coming from other parts of the world. And cargo in all shapes and sizes is moved by road as it is the lifeline of the country. Despite the presence of a fairly nationalised rail network, the ubiquitous truck is the main cargo carrier despite the fact that 30 per cent of African roads are paved, and 50 per cent remain in 'poor condition,' according to the United Nations Economic Commission for Africa. So much so that shipping cement from Shanghai to Djibouti is 60 per cent cheaper than moving the same cargo from Addis Ababa next door to Djibouti. How do the countrymen and its enterprises survive such paradoxical situations? "Welcome to Africa," an outsider would be told.

But that was the story of Africa. Today, Africa has risen to prominence as an investment destination with local governments creating new policies for investment, improving infrastructure, stemming corruption and instilling a stronger sense of work ethic in the workforce. From being an additional limb that could add some heft to the bottom line, Africa's now figures along the top five grossers in a firm's revenue chart. As an extension to the argument above, the 54-member cluster is being taken seriously because they have got the one thing right that would make others stand up and take notice of them: Trade. There has been a phenomenal increase in trade both amongst the countries and with others overseas. Here are some statistics that will stump you.

Trade in Africa

Sub-Saharan African trade volumes are expected to quadruple by 2030, according to a Frost and Sullivan report, increasing from 102.6 million tonnes in 2009 to 384.6 million tonnes by 2030. Intra-regional trade volumes, according to the same report, will grow just under 345 per cent in the same period. In 2010, however, Africa's intra-trade only accounted for about 10 per cent of its total trade, according to a report by the Brookings Africa Growth Initiative, compared to 17 per cent in developing Asia and 60 per cent in the European Union. Simply put, Africa exports relatively cheaper unprocessed (and often raw) materials to the world's developed economies, and largely imports more expensive finished goods from the same countries.

Trade patterns in Africa are changing with new trading partners and new technology aiding them. A senior industry person whose firm has stayed invested in Africa for almost five decades now says, "Africa is no longer a market that can be exploited for its resources. For every take, there must be an equal give for any company to survive in the long term." Three main reasons can be attributed to this spurt in investment. Healthier economies are driving this change in Africa. Africa's GDP growth averaged 5 per cent from 2002 to 2012, and is expected to climb above 5.5 per cent from 2012 to 2017. This is higher than any region except Asia and puts Africa above Europe and America. Governments are facilitating trade. Regulations are changing, some tariff barriers are being lowered, particularly for intra-African trade, and requirements are being harmonised. In addition, African governments are supporting trade transactions by providing or facilitating finance. Finally, perceptions of trade risk are decreasing. For decades, traders in African countries have had to pay for imports in advance, or are paid only once their export goods have been received. This perception of high risk is easing as Africa develops sophisticated trade finance mechanisms and risk mitigation products are increasingly available.

Logistics network

A multifold increase as this does

TRANSPORTATION CHALLENGES

ROAD	RAIL	SEA
Road cargo subject to crime and pilferage	Rail cargo subject to pilferage	Poor condition of ports superstructure and infrastructure (nationalised)
Road transportation targeted by corrupt officials	Rail infrastructure nationalized and poorly maintained	Poor intermodal connections to road and rail systems
Differing GVMs per country	Poor cargo handling equipment at rail sidings	Poor security for cargo and facilities (ISPS code, CSI)
Road condition often exceedingly poor	Shortage of rolling stock and wagons throughout Africa	High port costs
Constrained by fuel availability	Differing rail gauges between countries hamper smooth cross border transport	Lack of SADC fleet for feeder/coastal shipping
	Rail has poor density and accessibility to sea ports	

warrant a robust logistics system. The shipping sector is increasingly vital to Africa's economic prospects since ports are seen as key engines to facilitate trade growth. In the last five years, there has been an increase in project cargo that makes up for a drop in real break bulk commodity cargo and an increase in containerisation, providing more business to ports. Ports are by far the most important entry point to the African continent with most goods travelling by ship, but there aren't enough ports to handle existing traffic, much less allow for growth. That's set to change. There are currently plans to build or significantly expand five ports – in the west at Barra do Dande (north of Luanda) and Lobito in Angola, and Lekki in Nigeria, and in the east at Lamu in Kenya and Musoma in Tanzania. While these projects will be a big step in the right direction, demand is rising even faster and congestion will remain.

Once cargo steps out of the port, most freight in Africa gets transported via road. Quality tends to deteriorate significantly once you leave international trunk roads. And Africa's rail networks are generally in even worse shape than its roads. In many countries, most rail lines are still left over from the colonial period and are in poor repair and out of date. However, there are some bright spots. Following South Africa's successful construction of ramping up its rail networks for $5 billion, other countries have begun to follow suit. "African governments have realised the role of transportation and logistics on trade. They understand that whether it is moving resources off the continent or bringing goods and services into its burgeoning economies, Africa's future growth and development will depend on the quality of its infrastructure and the efficiency of its transport networks," a commodity trader from India who has business in the Dark Continent said. The Nacala line is one in a myriad of investments in transport and logistics across the continent. A near $37 billon is being invested in current road infrastructure projects in sub-Saharan Africa, while more than $57 billion is being invested in current rail infrastructure projects, including a recently approved 525-km rail line connecting a new port at Macuse on the coast of the central province of Zambezia in Mozambique to the Moatize coal basin.

Shantha Martin
Chief Executive Officer- ISC
Middle East and Africa for Allcargo

> "FROM THE POINT OF THE LACK OF PROPER LOGISTICS INFRASTRUCTURE, WE SEE IT AS AN OPPORTUNITY AS AN INTEGRATED LOGISTICS PLAYER. WE CAN STEP IN TO FILL THIS GAP THROUGH OUR LOCAL OFFICES, SINCE WE ALREADY HAVE A REPRESENTATION IN MOSTLY EVERY VITAL LOCATION ACROSS AFRICA."

Indian investment in logistics

But even as the successive governments make efforts to improve the transportation system, many Indian firms are going the extra mile in lending a hand to build roads to cut down delays and costs. "Making a road is the only pathway to make a profit," the commodity trader said. Many Indian and international firms such as Allcargo, LCL Logistics, AMI India, Agility Logistics, DB Schenker and others have set foot in the market to stay building their transportation and storage networks. Shantha Martin, Chief Executive Officer- ISC, Middle East and Africa for Allcargo says it both the presence and absence of a strong logistics network that attracts firms like hers to operate there. "From the point of the lack of proper logistics infrastructure, we see it as an opportunity as an integrated logistics player. We can step in to fill this gap through our local offices, since we already have a representation in mostly every vital location across Africa."

Andrew Marshall, Senior Surveyor in Logistics, at Knight Frank Middle East says: "As Sub-Saharan Africa undergoes a wave of modern commercial property development, the logistics sector is emerging as a focus for activity. Already some leading Middle Eastern developers have targeted the sector; Kuwait-based Agility has ambitious plans to create a network of logistics hubs across Africa, while Dubai's DP World has been granted a concession to develop and operate a new logistics centre in Kigali, Rwanda." Agility is undertaking a long-term strategy to establish a network of logistics distribution parks in 70 locations across the continent. "We have an initial target list of eight locations we are focusing on, and then we will just keep scaling it from there onwards. Looking at the lack of warehousing across the continent, and especially the lack of international standard warehousing, it's clear that we need to go into every major city," an officer with the firm in Africa said. Many logistics players are targeting politically stable countries for their investments. Besides ensuring safety of investment, the chances of currency volatility and the consequent impact on returns can be minimised.

LCL Logistics in India is another firm that is looking to building land infrastructure in many countries. "We will look at building container freight stations and inland container depots," the executive who spoke to MG said. This infrastructure will allow for a streamlined movement of goods. For decades India perceived the best way to do business with Africa is by increasing its uptake of resources. But today, companies realise the only way to enter the continent is by improving its maritime trade and logistics infrastructure. Maritime development is the true gateway to increased returns in Africa.

But not all are as lucky to reap the returns of a past investment. Apollo Logisolutions is making its way into seven to eight countries primarily servicing imports, exports, freight forwarding and inland trucking businesses. Unlike other firms that are looking at port-based investment, Apollo's PSS Prasad says his firm will build warehouses and inland container depots in countries that are land locked. With India's trade with Africa set to soar from the current $75 billion in the coming years, he says firms like his are ready to rebuild Africa by helping import a lot project cargo in to the country. To gain better access in to the logistics quagmire, Apollo is looking to acquire a firm to help penetrate the fragmented, disorganised market.

Challenges

High custom fees and periodic greasing of palms demands undercut African logistics. A random price increase by the truckers also puts many small traders at risk. A spat earlier last year between Ethiopia and Djibouti over custom fees delayed certain goods beyond four months at the port, frustrating local producers and reducing potential revenues up to 20 per cent for certain companies. "Currency fluctuation and change of rule with every changing government are some of the uncertainties one has to deal with in Africa. But Indian firms understand the market better because Africa is where India was 15 years ago," quips PSS Prasad.

The challenges, however, don't act as a deterrent to shipping lines. Viewing the increase in trade, many mainlines have also increased the frequency of calls from India's west coast to Africa. Maersk, CMA CGM, MSC and Safmarine have all introduced new services to different ports along Africa's east coast. These vessels carry from India soya, rice including a lot of project cargo and aid and they bring containers full of pulses, coal and cotton. Maersk Line's new direct service – MESAWA – the fastest service from Mundra to South and West Africa. This will be a weekly service from Jebel Ali, Mundra and Nhava Sheva to South and West Africa.

A fillip in connectivity has assured the trade too. But for a company to survive and do well, obviously long-term investments would be required, since the Africa story will play out over a long time to come, hence to bring in sustainable returns we not only need to invest in developing our capabilities, but also in developing goodwill which will allow Africa to see us as their natural and preferred partners, Shantha Martin says.

The above cannot be done in isolation and we need to also supplement revenues simultaneously from other markets globally; since a global network and reach is what any logistic company will desire. In fact we must use the local advantages offered by Africa to strategically fit into the demands of its economy, and at the same time act with a globalised perspective. Hence, think locally and act globally is the moot mantra of the day.

GROWTH POTENTIAL IN AFRICA

TOP INVESTMENT DESTINATIONS

TRADE GROWTH

Sub-Saharan African trade volumes are expected to quadruple by 2030, increasing from 102.6 million tonnes in 2009 to 384.6 million tonnes by 2030 Intra-regional trade volumes will grow just under 345 per cent in the same period.

GDP GROWTH

Africa's GDP growth averaged 5 per cent from 2002 to 2012, and is expected to climb above 5.5 per cent from 2012 to 2017.

INFRASTRUCTURE DEVELOPMENT

A near $37 billon is being invested in current road infrastructure projects in sub- Saharan Africa, while more than $57 billion is being invested in current rail infrastructure projects.

"THE LOGISTICS SECTOR IS EMERGING AS A FOCUS FOR ACTIVITY. KUWAIT-BASED AGILITY IS DEVELOPING LOGISTICS HUBS ACROSS AFRICA, WHILE DUBAI'S DP WORLD HAS BEEN GRANTED A CONCESSION TO DEVELOP AND OPERATE A NEW LOGISTICS CENTRE IN KIGALI, RWANDA."

FASTEST CUSTOMS CLEARANCE

Rajiv Bhushan Tiwari, IRS
Chief Commissioner of Customs
Bengaluru Customs Commissionerate

Fully automated process powered with high-end technology has enabled Bengaluru Customs to record the lowest dwell time in the country – both in clearing sea and air cargo

by Itishree Samal

Q How has been the year so far for Bengaluru Customs Zone (BCZ)?

Last year (from April to August), we had handled 31,330 containers in imports and 32,992 containers in exports. We have already crossed our target upto August this year. The zone has handled 33,996 containers in imports and 34,097 containers in exports. We have seen a 8.5 per cent growth in imports and 3.4 per cent growth in exports. Till July end this year, import was a little negative but it has picked up after August. The major reason for higher imports is that the industrial activities have picked up so also the demand.

We have been in the forefront of solving the issues of exporters and importers. As we could see, our dwell time (time taken for clearance) is the lowest in the country. At ICD Whitefield the dwell time is 6.3 per cent (percentage of time taken by Bengaluru Customs), which is the lowest in the country, while at ICD Delhi the dwell time is 8.3 per cent. Similarly, in the air cargo we are number two. Our time is 8.1 per cent and Delhi is at 7.6 per cent.

Q What are the major issues faced by the Bengaluru Customs Zone?

We don't have any issues as such, but the challenges we face are due to external factors. We now emphasise on providing clearance within a day. Once a container comes, our focus is to clear it within 24 hours. We are fully automated; all the documentation, data filling and digital signature is mandatory. More than 70 per cent of it is going under RMS (risk management system), which means 70 per cent of cargo is getting cleared without even checking.

The industry in Bengaluru is importing through Chennai Port because it is convenient for the 60

and 80 feet containers. However, the sad part is once the containers land in Chennai or any other port, it takes around six days and four hours for containers to reach Bengaluru. So, the maximum time is lost there. And our time, the actual time for assessment – time taken from payment, duty to registration of documents – takes only five hours. There again, once the documents are assessed we give it to third parties to pay duties. So, the maximum delay is 23 hours.

In air cargo as well the dwell time is three days. Delays occurring by the importers themselves. The freight forwarders have the responsibility to reduce the dwell time, which has been also flagged by the Commerce Ministry. In air cargo, our actual time for assessment is only seven hours.

Q What infrastructure issues the state of Karnataka faces?

The state does not have adequate maritime infrastructure. The logistics sector needs to be modernised. The only port in the state, i. e. New Mangalore Port, faces several connectivity issues. Due to the ghat sections in Mangalore, it does not have proper road connectivity. The need of the hour is to create road by tunnelling through the ghat sections, on similar lines which has been done in the Mumbai-Pune ghat section. The ghat section could be straightened out to reduce time for bringing cargo by road. Unfortunately, the business in New Mangalore Port has not picked up. But there is a lot of potential for the port to grow.

Q How has been the growth in recent years?

> **“AT ICD WHITEFIELD THE DWELL TIME IS 6.3% (PERCENTAGE OF TIME TAKEN BY BENGALURU CUSTOMS), WHICH IS THE LOWEST IN THE COUNTRY, WHILE AT ICD DELHI THE DWELL TIME IS 8.3%. SIMILARLY, IN THE AIR CARGO WE ARE NUMBER TWO. OUR TIME IS 8.1 PER CENT AND DELHI IS AT 7.6%.”**

Revenue-wise, we are growing at about 21 per cent. The entire zone including Bengaluru Airport and Bengaluru Customs is growing. We have set a target of ₹12,175 crore in revenue this year. We had crossed our revenue target last year. The target was ₹10,000 crore, while we had realised ₹10,900 crore last year.

We have been growing. We have already seen growth of 7.6 per cent this year; the all India average growth of customs revenue pegs at 5.7 per cent.

Q What initiatives has been taken by the Customs to boost trade?

A new facility has been added at the Bengaluru Airport by Air India SATS Airport Services (AISATS), the national carrier's airport services company. It is called the 'AISATS Coolport', Bengaluru's first dedicated perishable cargo handling centre with the vision of enhancing the Karnataka as the pharmaceutical, biotechnology and perishable hub of India. Once completed, this exclusive 40,000-tonne Coolport will cater to range of commodities such as pharmaceutical products, fruits, vegetables and flowers. The facility will be equipped with a drug controller lab testing facility, separate ripening zone, land-side truck-docks, warehousing and re-distribution centres, cold room facilities with different temperature zones and a testing facility as per the plant quarantine requirements for EU- and US-bound shipments.

Also, we take up several initiatives for trade facilitation. In fact, last year FKCCI gave us an award "Export Excellence Award." We have got the award for best export facilitation organisation in Karnataka Chapter.

Q What measures have been taken to address the issues?

Recently Customs has started a single-window interface bringing agencies involved in exports, imports among others on its platform. An all India facilitation measure has been launched by the customs, Central Board of Excise and Customs (CBEC), where certain facilities are provided to authorise economic operators and for logistics companies. For logistics companies, we have started AEO-LO (Logistics). It provides benefits like waiver of bank guarantee etc. In case of international transship cargo where the cargo does not require segregation, it can go without Customs escort. Similarly, for warehouse operators provisions are there for faster approval of new warehouses within seven days, waiver of verification, waiver of solvency requirement, waiver of security etc. If they are AEO complied, then it is direct port delivery. It will reduce congestion at ports.

Q Are there any issues with detention?

Last year we faced two issues on food safety standard as there were no authorised labs. Now, there is an institutional mechanism and all issues have been sorted out. We have a Customs Clearance Facilitation Committee (CCFC) consisting of all stakeholders including logistics providers in the port area. We meet once in a month. If there is an issue, we try to solve it through the committee. mg

Will it remain an elusive dream?

The awareness is created and benefits understood, it's now time for the government to take the initiative and nurture coastal shipping

by Capt Ashok Kumar Srivastava

There was a young boy from a poor family who was very talented. His talent was spotted early in his school as he would grasp things faster than other students and would solve problems even before the teacher had fully explained it. The teachers, peers and the parents predicted a great future for him. As years rolled on the boy moved to higher classes and college. While earlier he could rely solely on his talent to stay ahead of the class he now needed coaching, guidance and access to facility and support system to hone up his skills. His social standing and humble background never allowed him to have these as a result others with lesser talent and potential overtook him and he eventually landed himself into mediocrity and was relegated to lead a very ordinary life. All his early promise and talent remained unfulfilled and a distant dream.

When one thinks about the coastal shipping scenario in India one hopes it does not meet with the same fate. Despite the inherent advantage, the share of coastal and inland waterways transport still remains a miniscule percentage of overall cargo movement. This brings to the point – What really ails Indian coastal shipping and what does one do to make it deliver its full promise? There are different stakeholders who are all looking at it from their own

perspective and not really interested in the overall scheme of things. The shipper is interested in moving cargo at the cheapest cost and it does not matter if the mode is eco friendly or not. We then have the shipowners who have invested in acquiring ships but want an ROI which is at par with any well matured business model. We then have the private ports who have entered into a concession agreement with the government. In their zeal to grab the deal they have agreed to revenue share and other conditions, they charge a very high rate from the users. So international cargo has no way but to use the port in the absence of any alternative, coastal trade becomes unviable and cargo gets diverted to other modes which are more competitive. And then we have the various service providers who want their share irrespective whether or not the shipowner is making money. Who then should look at the overall picture and take steps to ensure the modal shift? Obviously the answer is the government. With a proper policy frame work and a "carrot and stick" method, every stakeholder can be brought under one umbrella which will work in the larger scheme and ultimate goal.

The government should make a coastal policy. If certain aspects are missed out or changing scenario needs some changes that can come out as an amendment at a later date. The government should be very clear as to what is required – shift of cargo from road and rail to water mode to decongest the system irrespective the flag of the vessel it is carried on or it wants to not only de-congest the system but also promote Indian shipping and thereby make it mandatory to carry coastal cargo on Indian tonnage only. In my opinion the second option is more appropriate as it will not only give a major boost to Indian shipping but will also create lot of ancillary and support system which the shipping industry requires. This brings us to the topic of Cabotage. In my opinion Cabotage should be strictly implemented. At least it will allow the freight earned to remain within the country and ploughed back into the system. With cargo assurance, Indian pool would be created within no time if there is any shortage currently. Having large number of Indian vessels plying on the coast will not only create other shipping related opportunity but a criss-cross movement along the coast will also make our shores much safer.

> "GOVERNMENT ALLOWING PRIVATE PORTS TO KEEP THE ENTIRE EARNING OUT OF COASTAL VESSELS AND NOT SHARE ANY REVENUE WITH THE GOVERNMENT WILL PROMPT THEM TO ATTRACT MORE AND MORE COASTAL VESSELS TO THEIR PORT AT A VERY COMPETITIVE RATE."

Another step the Government can take is to create a "coastal shipping division" within the ministry of shipping which would deal with all the issues connected with the coastal shipping and coastal operator.

While the government can't be expected to subsidise all the cost items in a day and time when the effort is to reduce subsidy, it can certainly create penalty and award system to boost the coastal trade. One way of shifting the mode would be penalising the road mode over long distance for the relevant damages in the form of a levy and use the fund to reward coastal operators who are providing a cleaner and more eco-friendly mode of transport. Service tax which is a big cost item for the cargo movers especially for the traders and transporters, can be temporarily waived for a few years till coastal mode is able to stand on its own feet.

Shipping is a capital-intensive business and for developing an Indian coastal pool, access to fund should be made easily available. This is where the government can step in and create shipping development fund at a very reasonable rate which will enable the owners to borrow for developing their fleet.

High port costs in India are another factor, especially in private ports. While there is a rebate in goverment-controlled ports for coastal shipping, no such rebate is given in private ports. One way of overcoming this hurdle would be government allowing private ports to keep the entire earning out of coastal vessels and not share any revenue with the government. This will prompt them to attract more and more coastal vessels to their port at a very competitive rate.

Awareness needs to be created amongst shippers and receivers for shipping their cargo through a more eco-friendly mode. They can be incentivised for their effort which should come from the polluting mode of transport. The culture of carbon footprint needs to be inculcated and induced.

Going by above arguments, we need all the stakeholders to come together to be beneficiaries for a larger outcome. The government should step in and be the Big Brother setting annual targets to the Coastal Shipping Division once it is created. The benefits of coastal shipping is a foregone conclusion. We are at a stage where awareness is created and benefits understood. We now need to nurture it and handhold it so that it is not left as an elusive dream.

Atul Patne
CEO, Maharashtra Maritime Board

SPEEDY EXECUTION OF PROJECTS

Be it the development of inland waterways, Ro-Ro projects for moving cars on ships or improving road and rail connectivity to ports, the Maharashtra Maritime Board under the dynamic leadership of Atul Patne is changing gears to fast-track clearances ensuring faster execution of projects

by Deepika Amirapu

Q How far has the Maharashtra Maritime Board's water transportation network come?

A dedicated cell has been created within the proposed Maharashtra Port Connectivity Corporation for the development of inland waterways and undertaking relevant projects.

Financing of inland waterways projects will be done through a mix of budgetary support, multilateral funding, debt and internal accrual of the MMB or the Maharashtra Port Connectivity Corporation or any other means as deemed fit by Board. Under the Mumbai metropolitan region water transportation network, there will be multiple phases of development of the water transportation network.

The National Waterways Authority has declared 14 water ways in Maharashtra of which seven are creeks. We have appointed WAPCOS as a consultant to give us their inputs on how these can be converted to usable facilities. The seven creeks will be operational by March 2018. We also have submitted nine RoRo project proposals. This will help people using cars to get in to the ships with the car without getting off their car. This network will be there along the entire coast of Maharashtra. We have identified jetties with back up land. We reckon this will reduce road traffic and take as many as 1,500 trucks off the roads in suburbs in Mumbai. In addition, there will also be good catamaran and high speed boats.

To kick-start the process, we have received tenders from many firms for dredging, navigation and civil works. They'll also help in setting up small terminals and create navigation systems for boats to create a traffic directional pathway similar to Google maps. MMB will provide necessary infrastructure for navigation and aid in creating a coastal communication network. We plan to increase the tourism potential in the Konkan region through water transport.

Q What is the MMB doing to hasten connectivity between its ports?

As on date, there is a proposal to construct a railway network to connect Jaigadh, Dighi and Andre ports. Land acquisition for this project is already underway. A special purpose vehicle named Maharashtra Port Connectivity Corporation has been formed to oversee the execution of the road and rail projects. The Maharashtra Industrial Development Corporation, Maharashtra Rail Corporation, Sagarmala Port Connectivity have stakes in this SPV along with MMB. In this joint venture, connectivity to the nearest highway is the responsibility of the state government through the maritime board. We want to connect western Maharashtra districts such as Kolhapur, Solapur to all these ports so that cargo can be exported. We are also looking to connect these areas to the Delhi Mumbai Freight Corridor and to Konkan Railway so all ports are interconnected through rail and roadways.

The government will encourage the development of logistics service clusters in the port's vicinity to attract more cargo to the port.

Q To what use will the shipyards along

Maharashtra's coast be put to?

Currently, there is no serious shipbuilding activity going on at the yards although there are dry docks. There is capacity to build ships. Once the cruise and passengers vessels are operational, these yards will take care of the repair and maintenance of these boats which is equally important as building vessels. There will also be boat salons at these shipyards where high speed boats and catamarans will be customised for purposes of use. We want to create a houseboat structure for use by corporate firms where meetings can be held substituting boats to the hotel conference rooms.

Q What efforts are being invested in offering maritime training for maritime professionals?

At the moment we support both maritime research and training. We have invested in creating a maritime research institute and training zone at Belapur. At the institute, anyone that wants to pursue conduct research on maritime subjects will be encouraged and their ideas will be promoted after whetting. There will also be training for people working at the water front. It will be in collaboration with the University of Pune. We are also developing the Marina at Belapur. Even in shipbuilding and related areas we plan to set up an Industrial Training Institute for imparting specialised courses in relevance to shipbuilding and repairing.

Q What are you top priorities as chief executive of the maritime board?

As a maritime board we need to develop ports and improve connectivity. Despite having specific policies for ports and jetties, Maharashtra has made relatively less progress in terms of maritime projects. There are many projects where development work has not yet begun or has been stalled, mainly because the private sector is unable to resolve issues arising during the project lifecycle without government support. We aim to fast-track clearances enabling faster execution of projects by expanding and strengthening the MMB's role.

Secondly, we want to create an environment conducive for maritime activities from exploring and developing the potential of renewable energy at ports to assisting in setting up desalination plants to treat water. We are also trying to create synergies between tourism and maritime activities.

Q How has the role of the maritime board expanded from assisting port development?

The maritime board policy now reflects holistic development of the maritime sector with adequate provisions for all its sub-sectors. Besides, the maritime board is engaging with the state government and other agencies to fast-track clearances, enabling faster execution of projects. The new policy encourages planning of industrial estates in coastal areas, which can leverage on available port connectivity. It also envisages promoting development of industrial clusters and free trade warehousing zones and coastal economic zones in the vicinity of ports.

Moreover, the waterfront policy is with Maharashtra Maritime Board. We also act as the beach conservator of the state and are in charge of implementing the Maritime Security Act. All coastal vessels, cruise boats and other catamarans have to be registered with us before commencing operations. The MMB also looks in to coastal security and we make sure marine police operate at important strategic locations. Today, all of our existing ports are ISPC compliant. mg

Global terminal operators on brink of collapse?

Drewry's latest 'Global Container Terminal Operators Annual Review' report shows that container terminal operators are rapidly changing their strategies in the face of a 'perfect storm' creating pressure on profit margins and rates of return due to: significant softening of demand growth, higher opex and capex costs due to bigger ships, increased business risks from larger liner alliances, loss-making carriers pressuring for lower terminal handling charges.

In 2016, 24 companies qualify as global/international terminal operators in the Drewry analyses. The nature of the list is already changing due to major M&A activity. In particular Cosco and China Shipping have merged, CMA CGM has acquired APL and APM Terminals has bought Grup TCB – all moves that at least in part can be seen as terminal operators mirroring the coming together of shipping lines in alliances. One clear strategic trend is the slowing of activity in greenfield terminal projects by the global/international terminal operators. The total number of active projects has fallen by almost half to 39 compared with 64 back in 2006 (a period of intense and peak demand growth in the industry). As significantly, the number of projects being developed by the carrier category of terminal operator has fallen to near zero, as carriers have re-trenched and become more and more cash-strapped. Carriers with terminal portfolios are clearly shying away from greenfield investments but are very active in terms of M&A and joint ventures. Some have been selling assets to raise cash but others, notably China Shipping and Cosco, have been buying terminal stakes.

Another potentially significant trend is "stevedore" terminal operators making joint venture deals with shipping lines. The establishment of the three mega liner alliances in 2017 will increase business risk for terminals run by operators not affiliated with carriers, especially those focused on transshipment, and terminal operators are seeking to mitigate this. Having a shipping line as a shareholder can be seen as a way of trying to tie in alliance volumes, although the choice of terminal by an alliance is never down to a single carrier's wishes.

In reconciliation

Owing to opposition from stevedores operating at major ports, where this statute alone is applicable, the ministry is understood to have agreed to take a relook at some of the peeves raised by the cargo handlers at ports

by Deepika Amirapu

The Ministry of Shipping is reconsidering its stevedoring policy after stevedores and shore handlers termed the new rules as exacting and unfavourable for doing business at ports. The normative approach of fixing tariff where the policy arrogates the responsibility of fixing rates to the Tariff Authority is the key disputed point.

Two other irritants in the previous policy – auctioning of licenses and revenue sharing system – were done away within the new policy which the ports were asked to enforce from July 31 onwards. However, owing to opposition from stevedores from major ports, where this statute alone is applicable, the ministry is understood to have agreed to take a relook at some of the peeves raised by the cargo handlers at ports.

The normative tariff approach has been thumbed down by stevedores as the ports have retained the authority to fix a per-metric-tonne royalty rate from all agents. This implies the royalty reserve price for different categories of cargo will be set by the ports after the ceiling rate is finalised by the Tariff Authority for Major Ports (TAMP). It is this aspect of fixing a tariff that is objectionable to cargo handlers because the policy does not seem to take into account other factors involved in handling cargo such as equipment required, storage facilities in the port and the complexity in handling cargo. "The current model of determining a tariff is vague and arbitrary now. A fixed rate will not work for all commodities as shore handlers and stevedores handle hundreds of varieties of cargo and it is unfair for the same rate to be applied to all," a stevedoring agent from Visakhapatnam told MG.

KV Krishnakumar, President, Visakhapatnam Stevedores

Association says, "Unlike PPP projects for which this policy is not applicable, one type of cargo can be handled and unloaded in multiple ways depending on the equipment brought in and number of people deployed. For example, if we were to handle coal from a conventional berth, the methods of unloading cargo and the output per hour will differ depending on whether or not the vessel is geared, the draft, back up area, capacity of the cranes and quality of grabs to name a few parameters." Each of these factors is known to have a bearing on the output and the stevedores allege that these criterion were missed while suggesting fixing of a ceiling tariff.

The stevedores maintain that method of fixing a tariff would lead to the absence of a level-playing field between private and state-run terminals and will lead to cargo owners moving to the closest private port. The ceiling rate of handling granite at the Chennai Port for instance is ₹100 per tonne compared to ₹20 per tonne in Krishnapatnam Port for a vessel with 1,00,000 tonnes of coal – a metric that would make any cargo owner cringe before choosing to unload his cargo at government ports. "We invest in processes and training and insurance and equipment to offer the best services to our customers. We have very stringent rules governing our operations already. Price discovery is not the only means of regulation," Ishwar Achanta, Former Trustee, Port of Visakhapatnam, Port of Chennai.

The new rules have been criticised also because they aim to penalise the stevedores for not meeting the cargo output levels set by the port. The performance output and cargo efficiency they say hinges not just on the vessels and equipment deployed but also on the labour provided by the port who already work with a particular datum to achieve fixed output on an hourly or daily basis. "The new policy, unfortunately, ensures that not the best service provider, but the cheapest service provider wins. The ceiling tariff could lead the private ports to lower the rates and lead to cargo moving out," Capt. KN Ramesh, Chief Executive Officer, Port and Road Logistics, SICAL said.

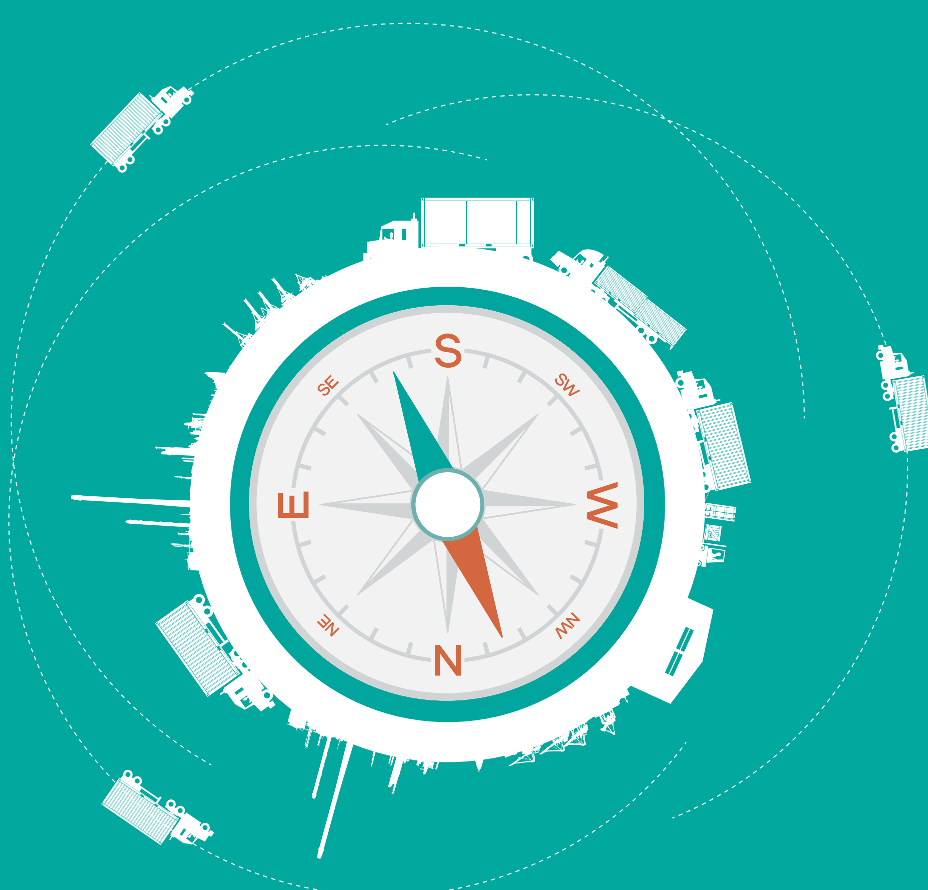
While the new rules assure an increase in revenue for ports through license fee and imposition of penalties, it does not guarantee increase in productivity at ports. These grievances seem to point again that the government should only act as facilitator and not seek a share in the pie by putting its interest above those of its customers and service providers using the facility. "The new policy itself seems like a penalty for functioning in a government port," says Krishnakumar. Port authorities, however, seem to feel the undercurrent of the new set of guidelines and say they have not implemented the policy in full scale. "We are waiting for further directions from the ministry. It is studying the representations made by the stevedores and guidelines will be finalised in two to three months," said PL Harnadh, Deputy Chairman, Visakhapatnam Port.

Prior to new rules, stevedoring firms used to operate in government-owned ports by purchasing a license for a fee ranging between ₹4,000 to ₹1 lakh for which they were allowed to operate for a period of three years. Now, the fee for issue of license shall be on payment of a minimum application fee of ₹50,000, which may be revised from time to time by the Port Trust Board.

After issuing the license, the port earlier had little role in fixing the tariff or interfering with the day to day operations of the stevedores. The exporters and importers used to engage stevedores and shore handlers and all terms of unloading and output were as per the agreement between the two parties depending on whether the berth and vessel were mechanised or not. No fees were paid to the port for these operations.

The trigger for the new rules where ports are asking for a share in handling of cargo seems to emerge from the PPP terminals where the operators pay a royalty or share revenue with the port authorities. "We are at a time when all ports are in the process of modernising all berths. Once modernisation is complete at all ports, coal will only be unloaded using harbor mobile cranes. Also, the plots are being reorganised without much of a difference between them and other commodities. Perhaps then it would be easier to fix a normative tariff and not before that," Krishnakumar adds.

Is there a way out of this situation? Yes, the stevedores offer a solution and say there is a common ground. You take your royalty and allow us to set the rates as this ensures the market forces have a stronger say in rate fixation than whim. This process they say will help in keeping the rates low protecting the interests of the cargo owners.



Ready for GST?

With bigger warehouses, larger capacity trucks, and higher level of containerisation, GST opens newer avenues of investment and expansion for logistics and freight forwarding companies

by Sisir Pradhan

The much publicised Goods and Services Tax (GST) has brought small and big cheers to various sectors. Industrial houses who have pan-India movement of goods have started to implement strategy to leverage the most from the one country, one tax regime that is going to make it most eventful for road transportation sector.

Strategic location holds the key

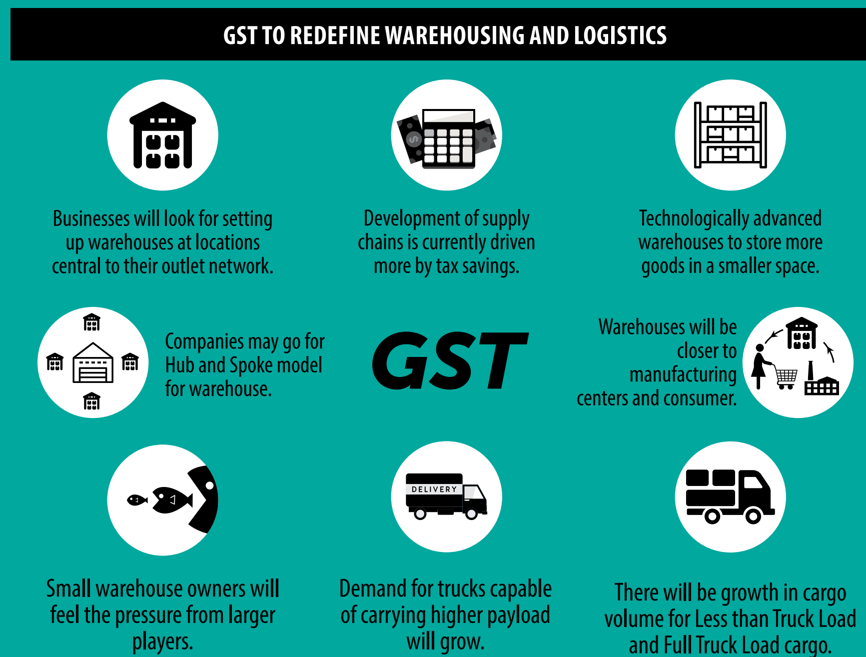
Logistics companies have started preparation for the post-GST market scenario. **Aditya Gupta, Head of 3PL Business Development, DIESL** said, "From doing a consultant role for a post GST network design to creating bigger hubs they are involved in whole gamut of activities." Meanwhile, it has brought a sigh of relief to the accounts professionals who have to juggle with various state and central tax compliances to move goods. Moreover, GST has left an even bigger grin on the faces of real estate property owners at various strategic locations like Nagpur. Nagpur is located at the centre of India, hence a major volume of goods moving by road between north and south India pass through the city. Logistics companies have started scouting for land in and around Nagpur. **Raj Lalan Dwivedi, Vice President of VRL Logistics** said his company has already acquired land to develop warehousing capacity there. "It will help us to move cargo to most parts of the country in shorter time," he said. Mihan, Multi-modal International Cargo Hub and Airport at Nagpur, has become one of the most sought after locations for warehousing.

Mother of all warehouses

Rising real estate prices and exposure to innovation in the developed economies, has brought more focus on technologically advanced warehouses which can store more goods in a smaller space. **Vikas Anand, MD, DHL Supply Chain** believes that the development of supply chains is currently driven more by tax savings than by logistics efficiency, as a result increased transport and warehousing costs. "The abolition of central sales tax (CST) will boost hub-and-spoke strategies, focused on central locations. It will be possible to operate large-scale shared facilities with multiple users which will set the platform for consolidation. We have already invested in several large Multi-Client Sites (MCS) in all metros. These offer a wide range of additional services like sub-assembly, co-packing, customisation, postponement, kitting, sequencing and pre-retail activities to improve the supply chain."

Rahul Mehra, CEO, AWL India said, "The average size of warehouse in India is about 10,000 square feet and decision of location is made on tax consideration, and both reasons make cost of facility very high. In the coming years the smaller warehouses would be merged and larger ones of over 2 lakh sq feet would be set up." In cases where time to market is critical, companies may go for larger mother warehouses and small spoke warehouses creating a Hub and Spoke model. In cases where the company can compromise a bit on time to market it may completely eliminate mother warehouses and only go for warehouses at strategic locations across the country. Aditya Gupta, Head of 3PL Business Development, DIESL said, "With bigger loads, multimodal logistics will surely get a boost. We are creating bigger hubs at key identified markets and developing secondary transportation facilities from these hubs to a radius of 250 to 300 km. The industry is also expected to move more and more from Box to Pallet. This movement will also help multimodal transportation eliminate the need for manual labor."

Praveen Somani, Director (Strategy & New Business Development), Inland World Logistics has



words of caution for small warehouse operators. "In road transport, apart from increase in efficiency there won't be much change. Small warehouse owners will feel the pressure from larger players as they are able to provide better cost savings and efficiency."

The new tax regime will usher an era of consolidation of logistics hubs and there promises to be a more practical approach to location and size of warehouses closer to manufacturing centers and consumer markets. While the hub-and-spoke model will emerge as the most effective working route, demand for multimodal logistics solutions will also get a boost, said **Ajit Venkataraman, MD, APM Terminals India Pvt Ltd.**

Road transport back in the limelight

Demand for trucks capable of carrying higher payload between factory and central warehouses is going to grow. Moreover, smaller payload carriers will also be in demand to follow the hub-and-spoke model for freight movement. Trucks with more than 40 tonnes carrying capacity will run on the highways, said Rahul Mehra, CEO, AWL India. There will be growth in cargo volume for existing road logistics operators of Less Than Truckload and Full Truck Load cargo. Vikas Anand, MD of DHL Supply Chain is confident that the transport industry will see a consolidation of service providers to align with established players. DHL Supply Chain has already begun using such vehicles inter-state for the first time.

However, there is a section of people who believe that there might be a slowdown in demand for new vehicles for a brief time. Because of abolition of trade barriers such as entry taxes, local body taxes, octroi and other hurdles, there will be 30 to 40 per cent less downtime for vehicles, which effectively would mean companies would need lesser number of vehicles. There would be a dip in the replacement demand for vehicles, at least for a year, said Rahul Mehra, CEO, AWL India.

Opportunity to optimise profit

The business environment will become less complicated and bureaucratic. New sourcing strategies may be needed as GST may change cost structures. A complete re-evaluation of supply chain models may be necessary. Pricing decisions based upon new tax structures, introduction of compliant IT systems and training of internal talent will be instrumental in ensuring success. mg

NO COMPROMISE

Due to economic pressures, shipping lines often choose service providers that service fire protection systems onboard the vessels at a lesser cost, compromising the safety of cargo and the crew

by C M E Hunter, Head of Marcom, Coltraco Ultrasonics

Shipping is facing one of its cyclical downturns. But, compromising in servicing fire protection systems on vessels is not, however, acceptable despite this. Economic pressures do tend to lead shipping companies to source contracts with marine services cheaply. Some of these companies bid to service a ship's CO_2 system at the most economical cost, resulting in inadequate work being performed often by under-skilled servicing crews conducting manual cylinder weighing. This places the ship's fire extinguishing system at risk of potential discharge from the high pressure (720 psi) during cylinder maintenance and if the cylinders have not been checked for correct CO_2 agent fill weights may not give a full release when required.

Time is an important factor: to dismantle and weigh and re-install a 45-kg CO_2 cylinder can take 30-40 minutes. If a ship has several hundred cylinders it is difficult to imagine how this can take less than 3-4 days rather than the 3-4 hours some ships are tested in. Of every 100 cylinders it is estimated that about 20 per cent will have discharged completely or leaked partially particularly in ships older than two years old. Using a Portalevel™ for each cylinder can be tested in 30 seconds.

These economic pressures also affect watertight integrity testing in which low-cost methods such as chalk compression and high pressure hose testing are most common, yet cannot give any indication of erosion points in a seal or areas which may give way under pressure and nor can be used when the vessel is at sea. The SOLAS Code suggests that on passenger ships there should be weekly watertight integrity inspections while the ship is at sea (Reg II-1/21.3).

Coltraco Ultrasonics have a range of ultrasonic technology which provides non-invasive complete watertight and cylinder surveying on any vessel.

Portalevel™ MAX Marine and Portasteele™ Calculator

The Portalevel MAX Marine is designed to test the contents of ships CO_2 and NOVEC™1230 (and other agents) fire extinguishing cylinders in under 30 seconds. With an accuracy of up to +/- 1.5mm or 1/8" and the ability to measure multi-bank rows 2-4 deep, the Portalevel MAX Marine is ideal for service companies inspecting large fire suppression systems. Having a Portalevel™ on-board also means that ships are able to comply with IMO SOLAS FSS code (2.1.1.3 means shall be provided for the crew to safely check the quantity of fire-extinguishing medium in the containers) as the ship's crew can test the contents of their CO_2 and NOVEC cylinders in-between the annual certification checks.

The Portasteele™ Calculator converts the liquid level height of $C0_2$, NOVEC™120, FM-200® taken on the UL-listed Portalevel MAX Marine device into weight/mass.

This advanced technology is supplied on a stand-alone 7" tablet. The Portasteele™ has the ability to save frequently used cylinder sizes and settings and export collected testing data directly via email.

Portascanner® Watertight

The Portascanner® Watertight uses ultrasonic technology to test for watertight, airtight and weather-tight seals. The RINA and ABS Class Approved device is able to identify leaks as small as 0.06mm ± 0.02mm. It is ideal for checking the hatch-covers, watertight compartment doors, cable transit areas, scuttles, flanges, shell doors, steering gear hatches etc. mg

Moving beyond transshipment

Sri Lanka is gearing up to use its locational advantage by ramping up its maritime infrastructure and move beyond being a transshipment hub

by Omer Ahmed

Ranil Wickremesinghe, Prime Minister of Sri Lanka, delivering the keynote address

Y K Sinha, Indian High Commissioner to Sri Lanka addressing the gathering

The second edition of Colombo International Maritime Conference (CIMC 2016) brought together the who's who of the global shipping and logistics fraternity. The objective is to develop the Sri Lankan shipping industry to go beyond the transshipment hub of South Asia to attract more maritime industries to invest in ports around the island making use of its geographic location and the catchment area where a large consumer market of the Indian subcontinent is growing.

At the outset, Ranil Wickremesinghe, Prime Minister of Sri Lanka, outlined his vision and strategies as he said, "Today we want to get into that mode, to be a sea and air-based economy. The plan is to build on our strengths, which are our location and people." Delivering the keynote address, he went on to define the equation between Indian and Sri Lankan maritime infrastructure. He said the development of Sagar Mala project should be looked at in positive terms and not as a threat. "We're looking at linking up with India. The port development here

is complementary to India's plans. Joining Sagar Mala is an advantage to us, not a disadvantage," he added. India's recent foreign policy shift towards para diplomacy – which allows individual states to form special relations with foreign countries - would enable Sri Lanka to form a $500-billion economy in the region. Sri Lanka could link with Andhra Pradesh, Kolkata, Tamil Nadu and Kerala.

The Prime Minister also touched upon plans for the Mattala Airport and the Hambantota Harbour. Investment is being sought from China under their One Belt One Road initiative. The end goal, Wickremesinghe explained, was to develop the Bay of Bengal region to compete with the Caribbean.

Sharing the Prime Minister's views was the Indian High Commissioner to Sri Lanka, Y K Sinha. "At the rate that India is going it will need all the ports that it can use for transporting cargo. I think the Colombo Port will play an extremely important role in India's global trade in the foreseeable future. It is with that in mind that the Indian Government has encouraged Indian companies to invest in the expansion of the Colombo Port. We believe this expansion will be good for Sri Lanka, for India and for the region," Sinha assured.

Aitken Spence Maritime, Freight and Logistics Chairman Dr. Parakrama Dissanayake noted that the new container terminal in Kochi has not threatened Colombo despite two years of operations and that the effects the Vizhinjam and Enayam ports under construction will have on Colombo are too early to tell.

"We are home to almost one-fourth of the world's population, bordering India, Pakistan, Bangladesh, Afghanistan, etc. Yet people from those countries prefer going to Singapore and Dubai rather than Sri Lanka," bemoaned Finance Minister, Ravi Karunanayake, hinting at the opportunities offered by Colombo International Finance Centre where legislation and tax laws have been tailored to attract investors.

"Dubai has extremely high administration costs. Singapore has a strategic position but the costs of doing business there are very high. This is why there is a natural tendency to gravitate towards Sri Lanka," said Ravi Karunanayake. Highlighting the need to spruce up contribution of maritime sector to the national economy, Rohan Masakorala, Chairman, Organising Committee said, the current contribution from the maritime economy to the country is less than 2.5 per cent. If the right policies and signals are given to the investors, we expect to take it to 6 per cent of GDP by 2030. mg

A growth story cut short

There is no dearth of demand for steel in the domestic market, but the logistics bottlenecks have not allowed domestic steel makers to adequately reach out to their consumers in a cost-effective manner. Steel production hubs are in the eastern parts of India but the consumption markets are in the western, southern and northern regions of the country

by Sisir Pradhan

At a time when global steel prices have been hit by slump in commodity price and over supply of steel by few countries like China, few commodities like cold-rolled, hot-rolled and auto-grade steel coils provide the much-needed improved profit margin to the manufacturers. The demand for flat stainless steel can be gauged from the fact that despite an import duty of about 26 per cent, India with an import of 1.81 lakh tonnes of flat rolled products of stainless steel (HS Code: 7220), is the largest importer of the product in 2015. While on one side the demand is rising and growing number of metro and rail projects and use in automobile, is expected to further create requirement for flat steel coils, however, logistics infrastructure continues to be a major hurdle for steel manufacturers. HR Coil consumption is expected to become 23 million tonnes by FY2016-17 as compared to 13.07 million tonnes in FY2010-11.

Historically demand across all categories of steel depended on macro economic variables of GDP growth. Hence, upon a projected annual GDP growth rate of 9 per cent, domestic steel consumption is expected to be about 113.3 million tonnes by FY2016-17. The sector had registered a growth of 8.1 per cent during 1991-92 and 2010-11.

If we go by production for sale and actual consumption of finished steel in the domestic market between 2006 and 2011, certain categories such as large diameter pipes, CR coils/sheets, and bars and rods registered significant growth while production of others category of steel commodities like HR coils/sheets, railway materials and structurals etc. remained sluggish but demand for certain steel products such as GP/GC, CR and large diameter pipes was quite robust during the period.

Majority of steel producers are located in mineral rich states Chhattisgarh, Jharkhand and Odisha. However, these steel producing regions are not backed by enough rail and road capacity to serve the industry. Steel Authority of India Limited (SAIL), Tata, Rashtriya Ispat Nigam (RIN), Jindal Steel & Power (JSP), JSW Steel are some of the major producers of steel products in the country.

India has set an ambitious target to increase steel production capacity to 300 MTPA by year 2025. Moreover, steel industry also create a demand for iron ore and coal.

Logistics infrastructure

Being a high-value commodity, steel coils are preferably shipped in containers. Moreover, steel industry apart from finished good movement, also involve heavy movement of raw material. Moreover, mineral sources are located in remote areas which are virtually inaccessible and have to deal with poor transport and logistics service. Additionally, the finished goods also face challenges in terms of rail and road network and connectivity between production centers and port. The industry typically requires movement of major raw materials like coal and iron ore to the factory and movement of final product to port and finally to the consumer. While the intermediary movements can be managed by road transport but the industry largely depends on the rail infrastructure. The National Steel Policy has earmarked the urgency to improve connectivity between steel production centers and port, largely on the east coast.

Demand and Supply Projections for Alloy & Non-Alloy 2016-17 (Million Tonnes)

Demand for Carbon Steel	108.3
Demand for Alloy/Stainless Steel	5.0
Total Domestic Demand for Steel	113.3
Production (net of double counting)	115.3
Category-Wise Consumption (Carbon Steel)	
Bars & Rods	43.6
Structurals	9.3
Rly. Materials	1.4
Total Long Products	54.3
Plates	7.2
HR Coils/Skelp/Sheet (excl. double counting)	22.6
CR coils/sheets (excl. double counting)	11.2
GP/GC	8.8
Electrical Sheets	0.8
Tin Plate/TFS	0.60
Pipes	2.80
Total Flat Products	54.0
Total Carbon Steel	108.3
Total Requirement of crude steel	139.9
Likely Capacity of Crude Steel	140.0

Furthermore, another challenge for steel coil logistics is lack of enough number of container handling port facilities on the east coast and also limited number of inland container terminals in the states Chhattisgarh, Jharkhand and Odisha. While there are proposals like developing inter-modal connectivity between port and production centers, increasing the load carrying capacity of wagons and even the introduction of double-decked container trains are also on the list. On the contrary, the passenger rail trains have been given more importance than goods carriers, said Prakash Singh, Chief, Raw Material Management, Tata Steel. Moreover, improvement of existing inland container terminal and development of new inland container handling facilities have been marred by delay in project execution. For example, Concor operates only one domestic terminal at Tata Nagar in Jharkhand, one at Raipur, in Chhattisgarh. Strategically import region Odisha, which has a heavy concentration of steel and metal industries in and around Jharsuguda, is yet to get a container terminal, the proposed terminal there has been delayed. Passenger trains have been given more importance than goods carrier for the rail line that connects Jamshedpur to Howrah-Chennai main line, said Prakash Singh, Chief, Raw Material Management.

> "THE AVAILABILITY OF CONTAINER AND TRAILER ARE SOME OF THE MAJOR ISSUES FACED BY THE STEEL EXPORTERS IN THE EASTERN PARTS OF THE COUNTRY. FREIGHT COSTS FOR MOVEMENT OF CONTAINERS FROM FACTORY TO PORT IS VERY HIGH. OCEAN FREIGHT IS ALSO HIGH IN THE REGION."
>
> **Rajdeep Mohanty**
> Resident Director (Odisha), Jindal Stainless Steel

The road connectivity is no different from the rail. Moreover, low capacity trucks, and poor road connectivity and a number of check post on the highways that connect the steel industrial zones in Jharkhand and Odisha to National Highway No 16 (earlier 5), have further added to the logistics cost for containerised cargo movement for steel products.

Some of the positive signs of improvement are optimisation of rail capacity between Bokaro (Jharkhand)

and Rourkela (Odisha), where onward journey trains bring iron ore from Rourkela to Bokaro and while on the return it carries coal from Bokaro to Rourkela.

Rail & Port connectivity remains the key

While SAIL depends on Visakhapatnam, Gangavaram, Haldia and Paradip ports, Tata Steel uses the services of Kolkata, Haldia, Paradip and Dhamra ports. Similarly, Bhushan Steel depends on Paradip and Dhamra ports. However, two major ports in the vicinity of steel industries, Paradip and Haldia have limited vessel handling capacity of about 70,000 dwt and 90,000 dwt, respectively. These two ports are yet to get fully mechanised container handling facility. The use of coastal shipping has been limited by the absence of separate queue for domestic cargoes and facilities. While in the queue alongside import and export cargoes, coastal shipping becomes unviable due to incurrent heavy demurrage costs.

Rajdeep Mohanty, Resident Director (Odisha), Jindal Stainless believes, "The availability of container and trailer are some of the major issues faced by the steel exporters in the eastern parts of the country. Freight costs for movement of containers from factory to port is very high. Ocean freight is also high in the region."

According to an estimation by Ministry of Steel, the steel plants need to transport 85 to 90 million tonnes of iron ore from the mines and

Raw materials Requirement for Projected Iron and Steel Production (Million Tonnes)

	2015-16	2016-17
Crude Steel production	114.50	125.90
Pig Iron for sale	9.38	10.00
Iron Ore	185.24	206.18
Coking Coal	77.23	90.16
Non-Coking Coal (for Sponge	33.92	28.41
Iron Sector)		
PCI Coal	3.83	4.54
Manganese Ore	6.18	6.82
Chromite	3.93	4.31
Ferro Chrome	0.84	0.92
Ferro-Manganese	0.70	0.74
Silico manganese	1.94	2.16
Ferro Silicon	0.34	0.38
Refractories	1.72	1.89

also deliver 45 to 50 million tonnes of finished steel from steel plants to distribution centers. Hence, there is a need to revamp existing infrastructure to meet the requirements of steel industry. There is a dire need for investment in rail infrastructure in the eastern region of the country since most of the mines and steel plants are located in this area and about 30 per cent of country's iron ore resources are located in two states, Odisha and Jharkhand. Hence, development of rail and road connectivity in these regions are key for the growth of

domestic steel industry. Inordinate delay in completion of railway projects, inadequate rail capacity connecting domestic steel plants and iron ore mining areas, lower haulage capacity, higher lead time, smaller length of rakes as compared to other countries and poor loading and unloading systems have adversely affected the steel industry in the eastern regions. Currently the rail traffic in the eastern parts are severely batted by capacity constrains and it could further worsen and SAIL has already raised concern over the issue as it expects its traffic to grow about 98 million tonnes in FY2016-17 as compared to 61 million tonnes in FY2010-11. Except for Banspani-Daitari project, all other rail projects such as Banspani – Daitari, Haridaspur – Paradip line, Angul – Sukinda Road line, Jharsuguda – Sambalpur line are already running much behind schedule which were envisioned to connect steel plants to Haldia and Paradip ports and iron ore mines in Barajamda, Barbil, and Banspani, among others.

Rail connectivity remains the key for steel sector, since the road capacity is not enough handle the cargo traffic in a cost-effective manner. However, expenses on logistics is one of the major cost borne by any industry in India, and steel industry is no different. There is no dearth of demand for steel in the domestic market, but the logistics bottlenecks have not allowed domestic steel makers to adequately reach out to their consumers in a cost- effective manner. Steel production hubs are in the eastern parts of India but the consumption markets are in the western, southern and northern regions of the country. A number of links in the logistics value chain is missing for bulk and containerised cargo for the steel sector, and if the missing dots can be patched it will definitely make the struggling steel sector more competitive in the domestic and global market. Hope the freight forwarders and the logistics companies are listening to the concerns of steel makers! mg

Yet to catch up!

Containerized movement of cargo through rail is more safe and ecofriendly, but diversion of traffic from road to rail will only happen if rail becomes more cost effective and is supported by spruced up infrastructure

The current container market is witnessing a huge slump. This is more pronounced in the domestic segment and marginally so in the Exim segment. In the period of 8 years upto 2014-15, Exim container traffic increased between ports and hinterland by 12 per cent. During the period domestic container traffic increased by 15.8 per cent. Rail share of hinterland traffic from ICD's to sea ports gradually increased to around 30 per cent in the first few years; thereafter it has declined to 22 per cent in the last 2 years.

Present scenario

During the past five years (2011-12 to 2015-16), overall rail container traffic increased at a CAGR of 4.6 per cent, driven primarily by the Exim segment. Container traffic accounted for a 4.18 per cent share of Indian Railways' freight traffic in 2015-16. In terms of absolute volume, rail container traffic stood at 46.18 mt in 2015-16, of which Exim and Domestic traffic accounted for a share of 80 per cent (37 mt) and 20 per cent (9 mt), respectively.

In terms of YoY growth, container traffic witnessed a decline of 5.45 per cent in 2015-16. This is primarily attributed to around 14 per cent fall in domestic container traffic. In the first quarter (April-June) of 2016-17, container traffic stood at 11.65 mt, a growth of 0.34 per cent over the corresponding period of the previous fiscal. Domestic container movement witnessed a fall of 11.44 per cent, while Exim segment recorded a growth of 3.35 per cent.

Problems faced by CTO's

After opening of Container Rail Transport to private players, in the year 2006, from one operator (viz. CONCOR), an additional 15 CTO's got licenses. The new CTO's had in the last 10 years created additional capacity. The demand for additional trains, especially exim, has not increased to match the infrastructure capacity created.

Haulage charges

Since 2006, Rail haulage charge has undergone 9 upward revisions for containers. Simultaneously in this period, diesel price fell substantially. Accordingly, road tariff in some sectors became cheaper than rail.

Areas to be focused upon

- Decline in EXIM Container transport growth has mainly been due to reduced hinterland penetration to and from the ICD's.
- Double stack container movement by rail will reduce the cost of rail transport. Commissioning of the DFC will substantially increase Exim container movement to the hinterland.
- Restrictive list of commodities allowed for transport in containers is being presently reviewed by Railway Board. In the short term this will provide a wider choice for the CTO's to market container rail transport.
- To encourage movement of Exim cargo to the ICD's in the hinterland and discourage their customs clearance at the Port side CFS's, popularly called the port to port movement, (presently a large amount of such cargo thereafter moves by road), Railways may increase the freight charged for short distance through increase in the 'minimum distance for charge.
- To encourage containerized transport of Exim cargo from/to the hinterland, Railways may give a discount in freight to ICD's located at distance beyond 400 - 500 kms from the sea ports.
- The biggest bottleneck today in setting up new terminals is the acquisition of land, as also the high cost of land. Ministry of Railways has proposed the formation of a PSU called 'Logistics Corporation of India' for the development of additional terminals.

KARNATAKA LOGISTICS SUMMIT 2016

OPENS WITH WARMTH

For the first time, we're not complaining because it is warm. Wait! I'm not talking of the weather. I'm talking about how warm the reception, cordiality and encouragement was by the Karnataka maritime and logistics business community towards Team Maritime Gateway. The Karnataka Logistics Summit was organised and hosted by India's premier maritime magazine *Maritime Gateway*. The conference was conducted for the first time at Bengaluru and it was nothing short of a runaway success.

Unlike the usual formats of a day-long conference, this summit opened up to Bengaluru around noon where the full hall was treated to two sessions with key representatives from the industry and government speaking on relevant issues that need to be addressed immediately. The centrality of the location drew logistics players, freight forwarders, terminal operators, custom house agents from all the southern states. The presence of senior port personnel and shipping lines gave the event an aura of paramountcy. The well-attended event was testimony to how Karnataka is one of the high economic growth states in India. Talks of better connectivity and a streamlined supply chain system rented the air with senior executives from the automobile, agro, aerospace, biotechnology, heavy engineering industries and textile and garment industries speaking of the state emerging to be a major investment destination.

After the engaging interactive sessions of the conference that focused on logistics infrastructure and methods of enhancing time and cost efficiency, the evening was opened to celebration. It began with the Karnataka Logistics Awards that were given away to the home grown movers and shakers who scored many points in innovating new methods of moving goods in time. The red carpet was spread for all to walk on as everyone that makes it to a Logistics Awards night is a either a celebrity or one in the making. As about close to a dozen awards were given away for achieving a breakthrough in business, the crowd cheered and clapped happily not betraying a sense of bonhomie and delight for their peers who stood up tough and braved the odds. The awards were interspersed with impressive performances by the event host who sang many a popular number and enthralled the crowd. The joyous audience enjoyed the English and Hindi numbers and joined in chorus. This was followed by a comic performance by comedian Praveen Kumar. His clean humour made him a favourite among corporate honchos. The ingredients of his comedy show were observations from daily life and people he came across. Getting the crowd in stitches, the awards night was hosted with aplomb. Treated as the prestigious awards was a dazzling celebration of colour, music and cheer – something the enviable guest list ascribed to the evening reflecting the high esteem in which they are held.

At the end of the entertainment, a gala dinner was hosted by the organisers where all the attendees feasted on the local cuisine and ended the well spent day at the Shangri-La Hotel. mg

L to R: **Ramprasad**, Editor in Chief & Publisher, Maritime Gateway, **M C Dinesh**, President,Federation of Karnataka Chambers of Commerce & Industry, **Rajiv Bhushan Tiwari**, IRS, Chief Commissioner of Customs, Bengaluru Customs Commissionerate, **Dr A Sakthivel**, Chairman South Region, Federation of Indian Export Organisations, **Prahlad Tanwar**, Director - Transport and Logistics, KPMG Advisory Services Private Limited

Economic growth rides on efficient logistics

The debut edition of Karnataka Logistics Summit brought together all the stakeholders to promote exchange of ideas in moving cargo between hinterland and gateway ports, identify the gaps in supply chain, support industry and government to prepare a roadmap for seamless and cost-efficient movement of cargo.

Welcoming the august gathering, **Ramprasad, Editor-in-chief and Publisher, Maritime Gateway**, pointed at the strong economic growth India is poised for. He touched upon various topics including investment in infrastructure, slump in commodity prices controlling inflation, GST boosting consumption and the Indian EXIM scenario.

"Logistics has often been neglected in India and as a result the cost of logistics is as high as 13 per cent which is neither good for the country nor the industry," lamented **Anil Yendluri, Director & CEO, Krishnapatnam Port Company Limited**. Logistics and supply chain should be seen as an integrated entity to understand the problems and control the cost structure.

He called for devising an end-to-end solution for logistics which he called the "supply tube." A major achievement in this direction is the rolling out of GST that will demolish the artificial economic boundaries created between states, result in "one India, one tax." GST will increase the significance of warehousing and FTWZs that will move closer to the seaports and if possible inside the ports as well. He elaborated at the excellent connectivity and 24/7 container movement service offered by Krishnapatnam Port to Bengaluru, delivering cargo "just in time." The green channel concept and gate-to-gate truck movement has enabled ease of doing business to a great extent.

Bringing into focus the geographical advantages that Karnataka enjoys, **Prahlad Tanwar, Director - Transport and Logistics, KPMG Advisory Services Pvt Ltd** said the state is well connected across India through the border it shares with other states. Karnataka has 1.6 per cent of the national highways in India that move 70 per cent of the cargo. Mangalore Port accounts for 6.2 per cent of the total EXIM volume of India.

Coming to the regulatory aspects, Prahlad said, the full impact of GST will be seen over a decade. Tracking the movement of cargo he said, in 2014-15, 90 per cent of cargo generated in and out of Karnataka went through Chennai Port; 5 per cent went through Tuticorin and remaining 5 per cent went through Cochin. Total containerised export and import in Karnataka is about 250,000 teu, of which around 120,000 teu moves through rail.

The one thing very visible in Karnataka is the faultline of logistics, but the state government has been brilliantly trying to upgrade this ever growing requirement, said **M C Dinesh, President, Federation of Karnataka Chambers of Commerce & Industry**. Pointing at the steady economic progress of Karnataka he highlighted some of the economic indicators such as the GSDP of Karnataka in 2015-16 is about $156.23 billion. The average GSDP growth rate between 2004-5 and 2015-16 was about 13.93 per cent. The state has seen FDI of $2,024 billion during April 2000-March 2016 which makes it the number one destination to attract FDI in India. The state shows disparity in connectivity to national highways which needs to be rectified. Karnataka has the lowest rail route and broad gauge density compared to other southern states.

Pointing at the changing trade strategies, **Dr A Sakthi Vel, Chairman South Region, Federation of Indian Export Organisations** said, today importers look for just in time procurement to fill their showrooms and this puts a lot of pressure on the logistics service providers and the related infrastructure. Due to lack of facilities, trade community in Karnataka have to depend on Chennai and Mumbai Ports which increases the logistics cost.

"Growth in the economy of a country is linked to the growth in the logistics," emphasised **Rajiv Bhushan Tiwari, IRS, Chief Commissioner of Customs, Bengaluru**. The need of the hour is to integrate all modes of transport on a technological platform. Rise in e-commerce, roll out of GST and demand for value added services in warehousing will require logistics services to brace up. Detailing on the developments in Karnataka he said, hinterland connectivity and highway network needs to be improved in Mangalore. Karwar and Hannover ports are being developed to better utilise these minor ports. The Customs department continuously tracks the procedures that hinder quick movement of goods and rectifies them. mg

The first session of the Karnataka Logistics Summit focused on the users' perspective on the logistics scenario for cargo movement in the state and threw light on what needs to be done in order to expedite logistics infrastructure development and boost the EXIM industry.

Panellists spoke in length about the issues pertaining to the industry and affecting the trade. Apart from poor road connectivity, other issues the industry faces include lack of rail connectivity to major industrial hubs/ zones in the state, longer transit time, lengthy documentation and clearance process and lack of facilities.

"Today's logistics scenario is not that great; there's a great room for improvement," said **Jagadish Hinduja, Chairman of Gokaldas Images**. In the current scenario for the cargo to reach to the vessels from factory it goes through two-three transit points and two-three warehouses, making it a costly affair. The exporter also loses valuable time during the process. A seamless transport arrangements (getting cargo from factory – delivering at port – Getting Custom clearance – putting it onto vessel and giving a negotiable document) is the need of the hour.

"We need service providers who can take responsibility of putting the cargo in the vessel within the stipulated timeframe and need a system that reduces lead time," he said. The penalty in readymade garments exports industry is huge. Clothing being a risky and perishable commodity, if the consignment does not reaches on time, then chances are there the value of two-third of consignment gets wasted. It is also subject to transit damage as well as weather damage possibilities. A vessel takes 14 days to go to Europe and 21 days to go to USA. We are taking 10 days extra here from taking the goods from port and putting on the vessel. The exporter loses on value by paying for air shipment (15 per cent of realisation). Other issues include pilferage or theft and it has to follow CTPAT regulations, he added.

Speaking on similar lines, **Krishna Prasad, Vice President of FIGSI (Federation of Indian Granite & Stone Industry),** said, both road and rail connectivity from the processing units to the ports are in pathetic condition. Now, that processing units have moved closer to quarries (earlier, it used to be located closer to cities), proper rail connectivity is required at district headquarters and good road infrastructure at hinterlands. At present, India exports to more than 80 countries and the granite exports volume were at 30 million tonnes last year (valued over ₹9,000 crore). India, being fourth in granite exports, is losing out to smaller nations in terms of time lags.

L to R: **Ramprasad**, Editor in Chief & Publisher, Maritime Gateway, **Krishna Prasad**, Vice President, Federation of Indian Granite & Stone Industry, **Deepak Anand**, Director - Research, Japan External Trade Organisation, **Tomoyuki Yamato**, Director, India, QUNIE Corporation, NTT Data Group, **Jagadish N Hinduja**, Chairman, Gokaldas Images Ltd, **P S Madhusudan**, Managing Director, Vishaal Natural Products (I)Pvt. Ltd.

Integrated approach can curb logistics hurdles

While the gherkins industry, which is a major exporting commodity, also faces similar issues. The industry, which is largely export-dependent, feels the heat transporting cargo from the hinterland to the port than delivering the cargo in export destinations. According to industry insiders, inland transportation cost is much higher than export freight. The industry largely depends on road network to source cargo from farmers, to processing units to ports. The industry also faces issues with documentation clearance. Addressing the gathering, **PS Madhusudan, Chairman of Vishaal Natural Food Products,** spoke about the issues the exporters face in terms of documentation and with clearing agents. "We see the clearing and forwarding agents take time in filing documentation," he said.

After exchange of ideas among users, **Deepak Anand, Director (Research),** Japan External Trade Orgnanisation (JETRO), spoke about how the proposed Chennai Bangalore Industrial Corridor (CBIC), once implemented will revolutionise the industrial activities in the three connecting states – Karnataka, Tamil Nadu and Andhra Pradesh.

Deepak said, Japanese companies in India are hugely concentrated in southern states. Of the present 1,100 Japanese establishments in India, the number is going to increase 20 per cent every year over the next five years. So, CBIC is expected to solve majority of infrastructural problems in these regions. He further added that India is a promising market for Japanese companies. But major challenges for them in India include industrial infrastructure and logistical connectivity. JETRO has identified eight nodal clusters – three in Karnataka, three in Andhra Pradesh and two in Tamil Nadu – having huge potential in terms of attracting manufacturing industries. In the first phase, three nodals will be developed including Tumkur in Karnataka and Krishnapatnam region in AP by 2018.

He further said, implementation of projects is a big issue in India. "But we have a mechanism with respective state governments of identified projects and have a monitoring committee. Despite having to face few issues, we'll try to expedite the projects. The stakeholders need to take the issues to the government."

While **Tomoyuki Yamato, Director, Quine Corporation, NTT Data Group,** said, utilisation of technology is required for a seamless logistics scenario.

Enhancing Time & Cost Efficiency: The Way Forward

L to R: **Prithwijit Maitra**, Director Trade and Marketing , India and SriLanka, Maersk Line India Pvt Ltd, **Dr Anup Dayanand Sadhu** , Group General Manager, Container Corporation of India Ltd, **Naveen Venkatramani**, DGM - Sales & Mktg, MSC Agency India Pvt ltd, **Anirban Dutta**, Vice-President, Strategic Business, Volvo Trucks, VE Commercial Vehicles Ltd, **Samir J Shah**, Chairman, Federation of Freight Forwarders Association in India

In the backdrop of first edition of Karnataka Logistics Summit with special focus on Smart Logistics, a brain storming session among some of the best minds in the industry discussed how the logistics sector should cope up with infrastructural and technological developments and embrace the changes happening in trade, while enhancing time and cost efficiency in the logistics sector.

Samir J Shah, Chairman, FFFAI said that a number of new developments are taking place in the infrastructure sector and the logistics industry will keep pace with the infrastructural growth. He stressed on the need to speed up growth in infrastructure. The government is focusing on resolving many issues pertaining to logistics and over a period of time the exporters, importers and the government are acknowledging the importance of logistics industry. Hence, the industry needs to be more resilient to make the logistics value chain much more vibrant.

Dr. Anup Dayanand Sadhu, Group General Manager, Concor appreciated the efforts to introduce a forum like KLS. Briefing about the role of Concor, he said the company is working more as a multimodal logistics company and has ventured into all verticals of cargo movement. Concor-operated ICD Whitefield has achieved a growth of about 4 per cent in export in 2015 and a growth of 6 per cent has been recorded till September end, and export volume is expected to increase to 8-9 per cent by the of current year. Apart from EXIM cargo, the ICD also serve domestic markets like, Gawahati, Shalimar and Delhi.

Some of the traders' major expectations from Concor include rail freight rates on par with that of road freight; time-bound cargo delivery; and last-mile connectivity. He emphasized that there is intense competition from road transporters in terms of freight rates. Highlighting some of the recent service offering from Concor he said a direct connectivity between Krishnapatnam Port and Salala Port has been started, and currently about five rakes per week run between ICD Whitefield and Krishnapatnam. He also said that there are plans to run four trains per day from the ICD to Chennai, and there are plans to commission a second ICD in the state at Kadakula, near Mysore.

Prithwijit Maitra, Director (Trade & Marketing), India and Sri Lanka, Maerskline India Pvt Ltd on this occasion said that the importance of port, shipping and logistics sector for the economy is being realised, and is getting the attention of mainstream media. Policy makers and people in general are keen to understand the industry and its various verticals and their challenges. All stakeholders of EXIM trade should come together to discuss and find solutions to various issues and opportunities for the logistics industry.

Maitra said that there is a need to foresee the challenges faced by the EXIM trade in the long run and bring in the solution. Giving details of various services offered by Maerskline India for Karnataka, he said there is a good potential to tap the coffee produced in the state which could gain a good market on countries like Spain and Italy. He also explained various initiatives by the company to help exporters and importers to get better margin for their business.

Stressing the crucial role of IT-platform that runs 24/7/365 without interruption for Customs related clearance, Samir J Shah, Chairman, FFFAI said that there is a need for a seamless platform that operates without fail like Customs clearance procedure for immigration and clearance at international airports. He also said that there are talks among various associations related to freight forwarding, port and shipping to form a bigger umbrella organisation like Confederation of Indian Logistics Association which will bring all stakeholders onto platform and voice the concerns of the sector in a unified manner.

Naveen Venkatramani, DGM (Exports), MSC Agency India said that the biggest challenge for shipping line and the trade is to avail containers and consignments right at the doorsteps of customers. Earlier the trend was cargo used to follow the ships but now shiplines are coming to customers. He said that due to the bottlenecks, cargo has to move from Bengaluru to Mumbai or some other parts before going onboard vessels which adds to the freight cost. MSC is partnering with various CFSs to develop clusters in and around Bengaluru for congregation of cargo and bring the gap between inbound and outbound container volume.

Anirban Dutta, Vice President (Strategic Business), Volvo Trucks VE Commercial Vehicles stressed on the need to develop and adapt higher capacity, efficient and technologically advanced cargo carriers.












WELCOME TO


SMART LOGISTICS AWARDS 2016

A day filled with deliberations has to be followed by celebrations and that is what the Smart Logistics Awards were all about - to honour and encourage the movers and shakers of the industry that make logistics in the state smart. Awards were given in eleven categories to star performers who walked away with trophies in their hand and smiles on their face.

AWARD WINNERS

INDEV LOGISTICS PVT LTD
Smart Custom House Agent of the Year – Imports

CEVA FREIGHT INDIA PVT LIMITED
Smart Custom House Agent of the Year – Exports

GLOTTIS LOGISTICS
Smart Forwarder of the Year - Imports

EXPEDITORS INTERNATIONAL (I) PVT LTD
Smart Forwarder of the Year – Exports

TRANSYSTEM LOGISTICS INTERNATIONAL PVT LTD
Smart Transporter of the Year – Road

CONCOR
Smart Inland Container Depot of the Year – Rail

MARIGOLD LOGISTICS PRIVATE LIMITED
Smart Inland Container Depot of the Year - Road

VOLVO INDIA PRIVATE LIMITED
Smart Importer of the Year

TTP TECHNOLOGIES PVT LTD
Smart Exporter of the Year

MAERSK LINE INDIA PVT LTD
Smart Container Line of the Year

KRISHNAPATNAM PORT CONTAINER TERMINAL
Smart Port/Terminal of the Year

Felicitating star performers

The 38th annual general meeting of MANSA saw best performers from across the industry walk away with the MANSA STAR AWARDS 2016. Capt. Vivek Anand spelled out the plans and course of action for the coming two years

In the august presence of the maritime fraternity, Standard Operating Procedures for JNPT were released at the hands of the JNPT Deputy Chairman, Neeraj Bansal, IAS, as also CISF procedures for Mumbai Port Trust by its Chairman, Sanjay Bhatia, IAS, at the 38th annual general meeting (AGM) of MANSA held in Mumbai last month.

Later, spelling out the plans for the next two years, MANSA President, Capt. Vivek Anand, said, "We have chalked out plans to submit two white papers to the Ministry of Shipping. The first would be on Sustainable Development goals for the Indian maritime industry based on United Nations guidelines, and the second would be on development of hinterland connectivity, multimodal logistics and coastal shipping in India."

MANSA will also take forward its partnership with APZI (Port of Zeebrugge, Belgium) and hold talks with Singapore ship agents association to enable the benchmarking of MANSA at the international level and adopt the best international practices and procedures along with sharing information and data, Capt. Anand said while addressing members at the meeting.

Appreciating the contribution from Young MANSA Forum (YMF), going beyond the immense contribution towards bringing out manuals, SOPs, etc., Capt. Anand also called for giving MANSA a national character by proposing to rename it as Maritime Association of Nationwide Shipping Agencies from the existing Mumbai and Nhava-Sheva Ship-Agents Association (MANSA).

The Chief Guest of the function was well known actor Boman Irani, who gave a motivational address about following one's dreams to achieve success in life.

The event also witnessed the felicitations of performers across categories, including the two nominated awards being presented to Capt. Avinash Batra of Seahorse Ship Agencies Pvt Ltd who was bestowed the Past President's Award for the achievements of a recognised shipping personality, and the Late L D Parekh of Parekh Group of Companies who was the recipient of The R S Cooper Lifetime Achievement Award.

MANSA STAR AWARD WINNERS

SIDDHARTH D SONAWANE
Deputy Manager, United Liner Shipping Services LLP
Best overall from Executive to Deputy Manager

PRAKASH JANI
Manager, Parekh Maritime Agencies
Best Manager (Operations)

ANITA KHANDAGALE
Manager, Mitsutor Shipping Agency
Best Manager (Documentation)

HEMAL RAMDAS BHATIA
Manager Sales, Parekh Maritime Agencies
Best Manager (Sales / Marketing)

ARCHANA SHINDE
Manager, Maxicon Shipping Agencies
Best Manager (Customer Service / Inside Sales Dept.)

PRATEEK MEHROTRA
Senior Sales Manager, Zim Integrated Shipping Services
Best Senior Manager

CAPT. AMIT WASON
Deputy General Manager, NYK Line India
Best AGM / DGM / GM

LILU MOHAMED
Senior Executive, NYK Line India
Best Lady Employee in any Category